Austria Sch22	Indonesia .. Rp3100	Philippines Pesos40
Bahrain Din0 650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NS3 50	S Arabia Rls7 00
Canada ...... C$1 00	Italy L1700	Singapore .. S$4 10
Cyprus .... C£0 90	Japan Y600	Spain Pta145
Denmark . DKr10 00	Jordan ...... Fils 500	Sri Lanka Rs30
Egypt .... E£2.25	Kuwait ..... Fils 500	Sweden SKr9 00
Finland Fmk7.00	Lebanon ... £1250 00	Switz. SFr2.30
France FFr7.00	Lux LFr48	Taiwan ..... NT$85
Germany DM2.30	Malaysia ... Rin4 25	Thailand Bt50
Greece Dr120	Mexico Pes300	Tunisia Din0 800
Hong Kong.... HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rs15	Norway Nkr10.00	USA $1.00

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LATIN DEBT

The lessons from Chile and Peru

Page 21

World News

Greek PM sacks two ministers over scandal

Three ministers left Greece's Socialist Government, against the background of a growing scandal involving Mr George Koskotas, the Greek banker and press baron. Two were sacked by the Prime Minister and one resigned. Page 2

UK blames Dublin

Margaret Thatcher, UK Prime Minister, was criticised Irish handling of the case of Father Patrick Ryan - wanted by London in connection with IRA murders and bombings - who walked out of a Dublin hospital yesterday. Page 22

Israelis shoot 12

Israeli troops shot and wounded at least 12 Palestinians during a general strike in protest against the 1947 UN resolution that partitioned Palestine into Jewish and Arab states.

6 die in explosion

Six firemen were killed when more than 20 tons of explosives blew up at a Kansas City construction site and police were investigating the possibility of arson and murder.

Democrats' choice

Senator George Mitchell of Maine, regarded as a liberal, won election as the Democratic Party's leader in the Senate. Page 6

14 die in Sri Lanka

At least 14 people were killed across Sri Lanka in violence blamed on Sinhalese radicals and in police operations, according to officials in Colombo. Page 4

Soviet-Afghan talks

Afghan resistance leaders have formerly announced that they will be holding peace talks with high-ranking Soviet officials in Saudi Arabia tomorrow. Page 4

New Turkish base

Turkey, a member of NATO, is building a new naval base on the eastern Mediterranean at Aksaz Bay, near the south-western town of Dalaman.

General strike call

Peru's largest union association, General Confederation of Peruvian Workers, called for a general strike tomorrow to protest at Government's economic policy. Page 6

Sudan army raid

Sudanese army said its troops killed 52 rebels and wounded 150 when they stormed two rebel camps in the southern Bahr al-Ghazal region.

Japan fighter deal

The US and Japan officially agreed to begin joint development of a new Japanese fighter aircraft in an unprecedented project. Page 4.

Guard over the wall

East German border guard disarmed a fellow soldier and clambered over the Berlin Wall to escape to West Berlin.

Refugees corralled

Zimbabwe is fencing in Mozambican refugees behind barbed wire at the Nyangombe camp, home to 13,000, because of a potential security threat.

Snow and storms

Blizzards swept Sweden, 110km an hour winds hit Denmark, and storms battered the East German coast.

Business Summary

Alan Bond may bid for Texaco Canada

ALAN BOND, Australian entrepreneur whose business interests range from brewing to mining, declared himself a prospective bidder for Texaco Canada, Canada's fourth largest oil producer and also a 78 per cent subsidiary of Texaco, the US oil giant. Page 23

BRITISH Satellite Broadcasting is to pay over $160m for the rights to broadcast 175 feature films owned by Colombia Pictures, the large Hollywood film studio. Page 9

LIT Holdings, acquisitive City of London-based future and options brokage, is stepping up its financial services side with the acquisition of Johnson Fry, best known for its active role as a Business Expansion Scheme sponsor. Page 23

TRUST fund, set up to help finance the new Chinese provincial government which will take control of Hong Kong from the UK in 1997, is to take a stake in Hong Kong Telecommunications. Page 23

AMERICAN Airlines, owned by the US AMR Corporation and Japan Air Lines, one of the biggest airlines in the Far East, joined the consortium of Brierley Investments and Qantas of Australia in bidding for Air New Zealand. Page 24

COMMERZBANK, third largest of West Germany's commercial banks, reported a drop in earnings in the first 10 months as a result of higher staff and equipment costs. Page 26

NISSAN, Japanese automotive group, aims to increase its car and commercial vehicle sales in West Europe by some 20 per cent during the next five years to more than 600,000 units. Page 24

GOODMAN Fielder Wattie, Australasian food giant, remains interested in the milling and baking operations of RHM, British foods company for which it launched an abortive £1.6bn ($2.94bn) bid earlier this year. Page 26

DEGUSSA, West German chemicals and precious metals group, said its group sales rose 16 per cent to DM13.6bn ($7.84bn) in the year ended September 30. Page 26

SODEXHO, French catering services group, has increased net profits in the year ended August 31 to FFr111.6m ($18.9m) with sales up 24 per cent to FFr7.1bn. Page 26

SECURITIES dealers from around the world are meeting in Tokyo next week to launch an international council to improve the exchange of information. Page 28

JAPAN'S nine electric power utilities all suffered profit declines in the six months to September because of rate cuts imposed by the Government and, in all but two cases, declines in sales. Page 27

DAINIPPON Printing, Japan's largest printing company, reported pre-tax profits of Y30.14bn ($247m) for the first half-year ended September, equivalent to a 5.4 per cent increase over the first half of last year. Page 27

JOHN Elliott, who controls the Elders empire, became the second Australian entrepreneur within a month to announce he is to buy out his minority shareholders Elders Investments. Page 26

KONICA, Japanese maker of photosensitive materials, lifted pre-tax profits 39.4 per cent to Y5.61bn ($45m) for the first half to October, as sales rose 8.3 per cent. Page 19

CONSUMER Services Group of Citibank hopes to open its first office in Cyprus in 1989, making it the first US banking organisation to set up business on the island. Page 29

Gorbachev pledges to revise relationship with republics

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday moved to head off a threatened rebellion by several Soviet republics, announcing key concessions in the far-reaching constitutional reforms set to be approved in Moscow this week.

He promised the immediate establishment of a constitutional committee to revise the federal relationship between the Soviet state and its 15 constituent republics, and an increase in the representation of the republics in the new standing parliament to be set up.

A string of other amendments to more than half the clauses in the constitutional reforms have yet to be published in detail, but they would appear to go a long way to answering some of the most outspoken criticism.

The constitutional draft, designed to create a new super-parliament – the Congress of People's Deputies – and the powerful post of an executive president, as well as to introduce new laws for multi-candidate elections throughout the Soviet system, had been criticised by five republics as a threat to their desire for greater autonomy.

Mr Gorbachev, who last week angrily denounced the tiny Baltic republic of Estonia – the ringleader of the revolt – for precipitating a constitutional crisis, yesterday appeared to be offering an olive branch to encourage the nationalists back into the fold.

Five republics have threatened to vote against key parts of the constitutional reforms if they are not changed, including Armenia and Georgia in the south, and Latvia and Lithuania, as well as Estonia, in the Baltic. All are non-Russian, and all have strong nationalist traditions. Mr Gorbachev apparently dropped from an earlier draft of this speech a reference this speech an attack on Estonia's behaviour as deplorable. Instead he admitted that drafting errors had caused "misunderstanding" of key parts of the reforms.

Last night Mr Arnold Ruutel,

Continued on Page 22

Vaino Valjas (left), Estonia's Communist Party chief, listens to Mikhail Gorbachev's address to the Supreme Soviet in Moscow

Lawson defends interest rate rise

By Philip Stephens, Political Editor, in London

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday delivered a decisive message of "no change" in his economic strategy as the opposition Labour Party launched a stinging attack on his policies in the wake of October's record trade deficit.

In a noisy and frequently bad-tempered debate in the House of Commons, Mr Lawson resolutely defended his decision to raise interest rates to 13 per cent last week and brusquely dismissed calls for introduction of credit controls.

Interest rates were both the only and the most effective weapon to deal with inflation, he intimated. Higher borrowing costs were a singularly well-directed way of restraining the excessive consumption which was behind the upsurge in inflation.

Responding to a sharp and well-delivered attack by Mr Gordon Brown, Labour's Treasury spokesman, Mr Lawson insisted that the recent sharp tightening of monetary policy meant that the trade deficit would eventually "take care of itself." In the meantime, the Government would maintain overseas confidence by ensuring that sterling remained strong.

In spite of Bank of England intervention yesterday morning aimed at braking sterling's recent climb, Mr Lawson said: "I am determined that it [the pound] shall stay strong for the indefinite future."

The Chancellor hinted, however, that the annual inflation rate may rise to about 7 per cent or above next year before falling back again.

He said that the retail price index minus mortgage interest rates, which the Treasury regards as the best guide to underlying inflation, would peak at about 5¼ per cent. Even before prospective further rises in mortgage rates in January, that would suggest an overall inflation rate of 6¾ per cent.

In characteristically combative mood, Mr Lawson seemed to re-establish his political standing with his backbenchers after the bout of jitters which hit Conservative MPs after Friday's trade figures.

Earlier Mrs Thatcher had caused some comment at Westminster when she appeared to sidestep Labour demands that she publicly praise the Chancellor. If it were necessary the Government would raise interest rates again to control inflation.

Mr Lawson made no direct mention of the prospect for tax cuts in next year's Budget but said that he intended "to keep" a substantial budget surplus.

The immediate reception among Conservative backbenchers, appeared supportive rather than warm and some were suggesting last night that his authority would still depend crucially on the trade performance over the next few months.

Mr Lawson will face further questioning in the House of Commons later today when he appears before the all-party Treasury and Civil Service Committee.

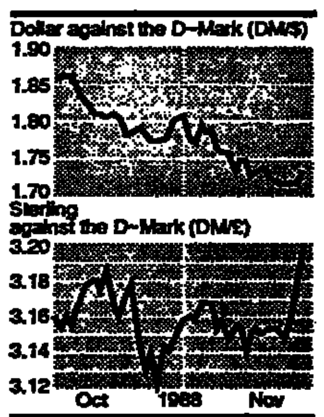
For Labour, Mr Brown delivered what his own side claimed as a superb attack on the Chancellor's record. He argued that the Mr Lawson's "boom-to-bust" policies had left Britain with the largest trade deficit, the highest interest rates and the second-highest inflation rate in Europe.

He sought to exploit the policy differences over economic policy earlier in the year between Mr Lawson and Mrs Thatcher. The Prime Minister, he said, "was the one neighbour in Britain, with the power of eviction." The question of who would succeed the Chan-

Continued on Page 22
Editorial comment, Page 20; Lex, Page 22

Pound rises against DM and dollar

Sterling yesterday rose sharply on the foreign exchanges following Mr Lawson's statement. Earlier in the day the Bank of England intervened to smooth the pound's rise, but traders in London said this was not seen in the afternoon. The pound closed 1¼ pfennings higher at DM3.20 and 1½ cents higher at $1.8525. Currencies, Page 48



Fujitsu will pay IBM $396m over software licence dispute

By Roderick Oram in New York

FUJITSU, the leading Japanese computer maker, is to pay $396m to International Business Machines to resolve a six-year dispute over its use of IBM's current proprietary computer operating software. It constitutes a licence fee for the use of IBM's current operating software for the next 10 years.

The payment is in addition to $437m it has already paid IBM in licence fees up to last year – a total cost of $833m.

The deal worked out by US arbitrators over the past 15 months also lays down fees and tight rules for Fujitsu's access to additional new IBM programs over the next 10 years. The first-year charge will be between $26m and $51m, depending on how much material Fujitsu asks to study.

Fujitsu's unauthorised use of IBM's copyrighted programmes in the 1970s helped it to produce mainframe computers compatible with, but cheaper than IBM's. The result was the most important and bitter fight over compatible machines the industry has seen.

The American Arbitration Association, which handled the case, said that it was arbitrating many other computer industry disputes. However Mr John Jones, one of the two arbitrators, said that, because settlements set no legal precedents, "we have no idea" whether other cases will follow the IBM pattern.

IBM began legal action in 1982, leading to a preliminary settlement in 1983. Fujitsu made large payments over the next four years but the parties had to turn to arbitrators because they could not agree on the scope or value of a final agreement. Analysts had expected the arbitrators' pact to be worth closer to $1bn for IBM but on the other hand Fujitsu's future access is more tightly controlled than forecast. Essentially it will learn only what IBM's new software does, not how it does it. Both companies expressed pleasure at the outcome.

Mr Jones said the decision would allow Fujitsu to have a reasonable opportunity to develop and maintain IBM-compatability independently.

With the pact, announced simultaneously yesterday in New York and Tokyo, Fujitsu's customers will be able to use its programs without fear of legal action by IBM or growing incompatability with IBM's machines. Moreover, applications software written by third parties will work equally well on either company's computers. Fujitsu will set up a high-security Japanese facility run by a neutral party where IBM will show it details of new programmes. The arbitrators have drawn up a complex set of standards and rules for the process.

In mid-session trading on Wall Street IBM shares were up $¼ at $119¼.

Plessey bid raises concern at UK defence ministry

By David White and Terry Dodsworth in London

GENERAL Electric Company's joint takeover bid with Siemens of West Germany for Plessey, the UK electronics group, has failed to overcome concern within Britain's Ministry of Defence about the potential loss of competition in key areas of military electronics.

Senior ministry officials confirmed yesterday that work was underway to identify fields in which competition would be threatened if the £1.7bn ($3.06bn) bid went through.

Under the GEC-Siemens proposals, a 50-50 joint venture company would be established to take charge of Plessey's UK defence interests. The intention would be that this venture would be able to compete with the defence businesses of GEC-Marconi.

This proposal is seen as crucial to GEC's attempts to avoid the Monopolies and Mergers Commission blocking the bid. The UK competition watchdog decided against GEC's previous bid for Plessey after forceful objections from the MoD.

Although the ministry has not decided its final position, it is likely to suggest to GEC that parts of Plessey's £500m a year defence business should be hived off after completion of the planned takeover.

This proposal would match a suggestion by Lord Weinstock, GEC's managing director, that he was willing to give guarantees to the ministry or dispose of businesses to structure the bid in an acceptable form.

The ministry's objections, however, cover areas such as military communications, radar and naval sonar systems, all of which are considered to be among the most valuable assets of the Plessey business.

GEC's response to these anxieties could be a central factor in the bid battle, since the ministry's Procurement Executive is believed to be strongly in favour of some other aspects of the proposals.

In particular, it supports the idea of a joint venture arrangement under which GEC would hold 50 per cent of the West German company's defence activities as being a possible first step to the formation of trans-national European groups. These companies would be able to compete with each other for defence contracts in different countries.

By supporting this approach, the ministry could open up the possibility of a part of Plessey's defence business being acquired by Racal of the UK or

Continued on Page 22

Paris sends in troops to help strike-hit commuters

By Paul Betts in Paris

THE FRENCH army will be on hand to provide transport services in Paris this morning to help more than 1m suburban commuters stranded for days as a strike on the rail network into the capital has spilled over to the underground and bus services.

The strike, in which the unions are demanding increased pay and changes in working conditions, is also turning into a major political showdown between the country's Socialist Government and the pro-Communist CGT union.

President Francois Mitterrand approved yesterday both the Government's decision to turn to the army for help and its tough stance against the CGT union members leading the latest strike action to hit the Paris urban transport system.

The strike follows a series of labour conflicts during the autumn in the public service sector ranging from hospitals to postal services, and is causing increasing anger among local commuters and businesses.

Mr Michel Delebarre, the Transport Minister, said the Government had no intention of bowing to the union demands. He urged the Paris urban transit authority to stop paying striking workers and to take sanctions against them.

For its part, the French Communist newspaper, L'Humanite, urged the Government yesterday in a big front page headline "to negotiate, not repress" the striking workers.

There were plans to set up some talks last night.

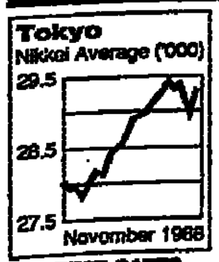
The Communists are widely considered to be using the conflict in an apparently vain attempt to win Socialist party agreement to a Socialist-Communist local electoral pact for next spring's municipal elections.

The army is expected to supply 365 trucks, including 115 from the French contingent stationed at Karlsruhe in West Germany, by the end of this week to carry commuters blocked by the strike that has paralysed two key lines in the capital's regional express rail network. Officials said yesterday that the first 250 army trucks would be ready for service this morning.

It is the first time in 17 years that the French authorities have been forced to bring in the army during a stoppage on the Paris transport system.

MARKETS

Tokyo
Nikkei Average ('000)



INTEREST RATES
US lunchtime
Federal Funds 8 7/16 % (8 3/16)
3-mth Treasury Bills: yield: 8.236% (8.239)
Long Bond: 98 5/8 (98 17/32)
yield: 9.128% (9.15)
London
3-month Interbank: close 13 1/8 (same)

STERLING
New York lunchtime
$1.8525 (1.8385)
London:
$1.8525 (1.837)
DM3.2 (3.1825)
FFr10.925 (10.875)
SFr2.6775 (2.665)
Y225.0 (224.5)

DOLLAR
New York lunchtime
DM1.72825 (1.7365)
FFr5.9005 (5.93)
SFr1.44625 (1.45375)
Y121.55 (122.325)
London:
DM1.727 (1.733)
FFr5.8975 (5.92)
SFr1.445 (1.4505)
Y121.45 (122.2)

GOLD
New York latest
Comex Dec
$427.1 (427.9)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,094.42 (+12.96)
S&P Comp
270.62 (+1.98)
London:
FT-SE 100
1,786.9 (+5.4)
World:
136.23 (Mon)
Tokyo
Nikkei Ave
29,318.3 (+334.96)
Frankfurt
Commerzbank
1,567.0 (-2.7)

OIL
Brent 15-day (Argus)
$14.20 (-4cts) (Dec)
West Tex Crude
$14.96½ (-38cts) (Jan)

CONTENTS

Franco-Soviet relations relaunch fails to ignite the media

Despite the success of the Soviet space launch with a French astronaut aboard, President François Mitterrand's visit to the Soviet Union has been dismissed by the French press as a let-down, perhaps for the wrong reasons
Page 3

Wörner says major US pull-out from Europe unlikely

By David Goodhart in Bonn

US PRESSURE for an increase in the European contribution to Nato should be taken seriously, Mr Manfred Wörner, the Nato Secretary-General, said yesterday, but he did not expect a "substantial" withdrawal of US troops.

He was responding to a statement by Mr Frank Carlucci, the US Defence Secretary, that overseas troop cuts were probable in the event of zero-growth in the defence budget over the next five years.

Mr Wörner also said Nato had to hammer out its "overall strategy" on disarmament in Europe by early next summer.

Coinciding with his standard appeal for more inter-European co-operation in Nato, the West German Army has decided to propose a new multi-national division for Nato's Northern Army Group. The plan, which will be unveiled officially at a meeting of Nato defence ministers tomorrow, is to create a new air-mobile division from the four members of the Northern Army Group – West Germany, Britain, Belgium and the Netherlands.

● A SENIOR Soviet officer yesterday dismissed as "misleading" and "propaganda" Nato's recent assessment of the balance between its conventional forces in Europe and those of the Warsaw Pact, Judy Dempsey writes from Vienna.

But Col-Gen Nikolai Chervov did not attempt to refute in detail the data which Nato released last Friday.

The Nato report, called "Conventional Forces in Europe: The Facts", quoted hitherto classified information on Nato's forces and concluded that the Warsaw Pact had superiority in several areas, including tanks, anti-tank weapons, air-defence systems and artillery.

It did not mention naval forces (which by definition cannot be confined to one continent). Gen Chervov said this omission reflected Nato's "clear advantage" in ships.

He also dismissed suggestions that Nato, in releasing the new data, aimed at achieving more openness. Gen Chervov said he could not understand why Nato had unilaterally released its report now.

Warsaw Pact proposals elaborated last July call for an exchange of data to be followed by the elimination of "imbalances" in Nato and Soviet bloc forces, and deep cuts in troops.

Foreign policy set to loom large at Rhodes summit

By David Buchan in Brussels

THE EUROPEAN Community is gearing up to an unusually outward-looking summit discussion at Rhodes, with officials beavering away at three separate foreign policy reports to present to government heads in two days' time.

In a letter yesterday to fellow-EC leaders, Mr Andreas Papandreou of Greece, the summit host, said that discussions over dinner on Friday night and the following morning would all be devoted to the EC's economic and political relations with the rest of the world. He wanted a statement of "basic principles" governing third-country relations.

The Greek presidency has promised to strengthen a draft statement on the Community's role in the world, designed generally to be a further effort to dispel foreign fears that the EC is paralleling internal deregulation with external protectionism. Some foreign ministers had complained at a meeting here last week that Athens' draft was not specific enough in referring to Japan, the European Free Trade Association countries and Eastern Europe.

National officials of the Twelve are also digesting a special report on Eastern Europe offered by the European Commission for the Rhodes menu. This suggests that the EC should adopt "a thoughtful, positive and watchful" approach to political and economic perestroika.

The EC should seize opportunities opening up in East-West trade, the Commission report says, but only on the basis of "strict reciprocity". Individual member states should also avoid trying to outbid each other on export credit, and remember the wider EC interest by letting the Commission negotiate the opening of "European business centres" in Eastern European capitals.

Mr Papandreou also said time at Rhodes would be set aside to discuss, in the extra-EC framework of foreign policy co-operation between the Twelve, topical issues such as East-West security relations and the Middle East.

However, the prospect of lively discussion on internal EC matters at the outset of the summit is raised by the Greek Prime Minister's recommendation that the meeting should discuss "the social dimensions of the internal market". He defined this as encompassing anti-unemployment measures, and training and health and safety protection for workers.

Greek cabinet ministers sacked

By Andriana Ierodiaconou in Athens

THREE MINISTERS have left Greece's Socialist Government, against the background of a growing scandal involving Mr George Koskotas, the Greek banker and press baron.

The Government is accused by the opposition of irregular dealings with Mr Koskotas, who was charged with multi-million dollar fraud last October and is currently in detention in the US a hearing on a Greek extradition request.

Mr Stephanos Tzoumakas, the Alternate Education Minister, and Mr Haris Kastanides, the Assistant Education Minister, were removed from their posts by Mr Andreas Papandreou, the Prime Minister, while Mr Kostas Laliotis, the Minister without Portfolio, resigned voluntarily.

Mr Tzoumakas and Mr Laliotis are members of Pasok's (the ruling socialist party's) executive bureau, while Mr Kastanides, a deputy for Salonika, is said to wield considerable party influence in northern Greece.

All three belong to a younger Pasok guard which includes the Education Minister and son of the Prime Minister, Mr George Papandreou.

Although varied on the surface, the reasons for the departure of the three from the cabinet can be traced to the ferment surrounding the Koskotas scandal.

Mr Kastanides declined to address a celebratory Pasok gathering in Salonika last Saturday, stating bluntly in an obvious reference to the Koskotas affair that "until such time as Pasok undertakes substantial initiatives for the rehabilitation of public life, I refuse to deliver unfitting speeches."

Mr Tzoumakas sent shock tremors through the party by accusing the Socialist leadership of GSEE, Greece's Trades Union Congress, of financial fraud, and vote-rigging during last month's 24th GSEE conference. Mr Tzoumakas' move was interpreted as a signal to the Prime Minister that senior Pasok officials will not tolerate corruption.

● The Bank of Crete has filed a civil racketeering suit in Manhattan Federal Court against Mr Koskotas, its former chairman, saying he was responsible for the bank's loss of over $200m, Reuter reports.

Glasnost fails to lift ban on Solzhenitsyn

By Quentin Peel in Moscow

A SENIOR SOVIET leader has ruled out publication in the Soviet Union of leading works by Alexander Solzhenitsyn, accusing him of having "anti-social, anti-Soviet views."

Mr Vadim Medvedev, the member of the politburo responsible for ideology, stated that "to publish Solzhenitsyn's work would be to undermine the foundations of our system".

His comments are a blow to the growing number of intellectuals who had been hoping that glasnost would lead to the banned works being published.

Mr Medvedev, promoted by Mr Mikhail Gorbachev, straight into the politburo just two months ago, singled out Solzhenitsyn's huge "Gulag Archipelago" trilogy about Soviet labour camps, and "Lenin in Zurich", about Lenin's exile, for particular objection.

"In these works there is a position developed which radically contradicts our society and political system, our understanding of the world, our attitude to history, our revolution, and our attitude towards Lenin," he said.

The literary magazine Novy Mir has announced its intention to publish two of Solzhenitsyn's works – the novels "First Circle" and "Cancer Ward" – although no agreement appears to have been reached with the author, who lives in exile in the US.

Last month, the Soviet Union of Cinema Workers called for the repeal of Solzhenitsyn's deportation.

● AN ARMENIAN official accused Azerbaijani authorities yesterday of openly deporting Armenians, adding to the thousands from each republic who had already fled ethnic violence, Reuter reports from Moscow. The official Armenpress news agency in Yerevan, the Armenian capital, accused Azerbaijan of adopting a policy of driving Armenians from the republic. "The open deportation of Armenians is now taking place," it said.

Trentin picked to head Italy's biggest union

By John Wyles in Rome

MR Bruno Trentin was unanimously chosen yesterday as the new secretary general of Italy's largest trade union confederation, the Cgil, in succession to Mr Antonio Pizzinato who resigned a fortnight ago.

The Cgil has never changed leaders mid-term before and the yesterday the precedent was widened by a decision that Mr Pizzinato should join the union's administration as a confederal secretary. Mr Pizzinato chose to step down after it became clear that he had lost the confidence of a broad section of the union from the communist left to the socialist right.

Mr Trentin, aged 62, has recognisably stronger leadership qualities, a very broad international experience – he speaks French and English fluently – and close ties with the Communist Party left. His first task will be to supervise the Cgil's approach to forthcoming national pay talks covering public employees and to develop a common position with the other two smaller confederations the Cisl and the Uil, on proposals for reforming collective bargaining which are being developed by Confindustria, the employers' organisation.

Commission to ease EC competition rules

By William Dawkins in Brussels

EUROPE'S fast growing franchising and technical licensing industries will today be granted formal exemption from EC competition restrictions.

The European Commission expects to adopt two so-called block exemptions for franchising and licensing. These are codes of practice to enable companies to obtain automatic clearance for their agreements under EC competition rules.

The aim is to guarantee such ventures against interference from Brussels and to protect them from having commercial accords challenged on competition grounds by disgruntled competitors or customers.

Technically, agreements of this type are contrary to EC rules against arrangements designed to share markets or sources of supply. But the Commission has the legal scope to exempt otherwise restrictive deals so long as they improve distribution or promote economic progress.

Both distribution and service franchises are covered by the long awaited accord, the first Community-level code for this US-inspired business practice. It stipulates that franchisees should be allowed to choose from agreed suppliers, rather than being restricted to buying from the franchisor.

Guarantees should also be valid across franchise networks, rather than being limited to individual franchisees, a move that should please consumers.

The Commission gives franchisors the general legal right to insist that franchisees should not set up in direct competition against them. There are exceptions, however. Franchisors cannot stop franchisees from investing or from holding passive minority stakes in competing businesses.

The exemption for know-how covers any kind of licensing agreement for technical information not otherwise covered by a patent. An EC block exemption for patent licensing was adopted four years ago.

The technical information covered by the know-how scheme includes production processes, chemical formulae, industrial designs or software. Broadly, the accord allows the owner of technical information to write into licensing deals limits on the geographical area, sector and length of time in which the know-how can be used. It will be most useful to industries that demand a lot of research and development, like chemicals, pharmaceuticals or nuclear energy.

Warsaw plans to legalise currency black market

By Christopher Bobinski in Warsaw

THE POLISH Government's top economic committee (Kerm) is planning to legalise the country's flourishing hard currency black market, an official communiqué has said.

Kerm has also announced that from now on Poles are to be permitted to take up to $500 with them when they travel abroad without any additional formalities and said that draft changes in the foreign currency law would allow "hard currency transactions between private citizens."

The expected easing of additional restrictions on travel abroad means that the black market rate of the dollar is now moving up much faster than is usual in the pre-Christmas period. In a matter of days the price of the dollar has risen from 2,700 zlotys to some 3,200 zlotys while the official rate is fairly stable at 488 zlotys.

The rising demand for the dollar reflects apprehension about continuing high inflation at home next year as well as hopes held by private business that taxes and restrictions on foreign trade will be liberalised making possible the use of hard currency on a wider scale than now.

At the moment Poles have savings worth some $3bn in official bank accounts while purchases in state owned hard currency stores last year reached a level of $596m. Remittances from abroad each year are estimated to be running at $700m a year.

Denmark 'faces third year of stagnation'

By Hilary Barnes in Copenhagen

DENMARK faces a third year of economic stagnation in 1989, when the gross domestic product is expected to decline in real terms by about 0.4 per cent, according a forecast by the triple chairmen ("the three wise men") of the semi-official Economic Advisory Council.

The GDP declined by about 1 per cent in 1987 and will show an increase of about 0.2 per cent in 1988. An autumn forecast by the Government was rather more optimistic, predicting a GDP increase in 1989 of 0.7 per cent. Unemployment will rise over the next two years from around 245,000 this year to 300,000 by 1990, say the chairmen, or from just under 9 per cent to almost 11 per cent.

But the chairmen warn against government measures to stimulate domestic demand, on the grounds that this will lead to a new deterioration in the current balance of payments deficit. They call on the labour market to stop unemployment from rising by ensuring that there are virtually no new wage increases next year, or even a wage reduction. The current external account is expected to fall from about DKr18bn ($2.7bn) this year to DKr16bn in 1989 and DKr12-13bn in 1990, with rising interest on the foreign debt cutting into a surplus on the trade account.

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EUROPEAN NEWS

France opens integrated telecoms network

By Paul Betts in Paris

FRANCE yesterday began commercial operation of its new generation telecommunications system, blending the country's digitalised public switching network with the telex, public data and other existing networks into a single high performance system.

Mr Paul Quiles, the Telecommunications Minister, claimed yesterday that France was the first to introduce an integrated services digital network (ISDN) commercially. The network is expected to lay the basis of a new era in telecommunications and telephone services.

France had been able to take a lead in this field, he said, because it had developed the world's most extensive digital telephone switching network, with 65 per cent of the national network already digitalised. This had enabled France to integrate the existing network with the new ISDN technology instead of having to invest in a separate system, as were West Germany and Britain.

The ISDN service is now available to business and individual telephone subscribers in the Paris and Brittany regions. By 1990, it is expected to be available to the entire country and will be connected to other international networks.

France Telecom, the state telecommunications authority, expects the number of subscribers to the enhanced network to total about 600 by the end of this year, rising to 150,000 by 1992 and 500,000 by 1995.

It will charge them a basic monthly fee of FFr300 (£28) to be linked to the new network which will be known as Numeris. The new network will make telephone sets more "intelligent" by enabling them to store messages, offer paging services and communicate with computer and videotex terminals. France Telecom has already formed about 20 partnerships with professional users and telecommunications equipment suppliers to develop specific applications and services.

Mr Quiles also announced yesterday a series of co-operation agreements between France Telecom and large computer groups like the French state-owned Bull group, Digital Equipment and Electronic Data Systems (EDS), to develop hardware and software applications for the new system.

More foreigners in W Germany

THE NUMBER of foreigners in West Germany soared by 70 per cent between 1970 and 1987, while the native population declined, the Government said yesterday, Reuter reports from Bonn.

Mr Friedrich Zimmermann, the Interior Minister, said the census conducted in May 1987 registered 61,082,800 people in West Germany, 432,000 more than the last count in 1970. The increase was accounted for by the surge in foreigners from 2.4m to 4.1m. Turks comprise the largest foreign minority.

The number of native West Germans fell from 58.2m to 56.9m, 1m more than anticipated.

Franco-Soviet 'relaunch' fails to ignite media

Ian Davidson reports on an uncomfortable close encounter of the Soviet kind

DESPITE THE success of the Soviet space launch with a French astronaut aboard, and an assertion by the presidential spokesman that President François Mitterrand's two-day visit to the Soviet Union marked a "relaunching" of relations, the trip has been widely dismissed in the French media as rather a let-down.

So much so, that the Elysée Palace has made significant efforts to counter the disenchantment.

While downbeat comments were perhaps to be expected from the conservative press (the Quotidien de Paris spoke of a "slender balance-sheet", there was a similar tone in left-wing newspapers normally favourable to the President, such as Libération.

While noting that Mr Mitterrand and Mr Mikhail Gorbachev had agreed to hold yearly summits, it asked: "Will that be enough to restore a special relationship between Moscow and Paris?"

In fact, Mr Mitterrand's trip chalked up a number of procedural or formal agreements which, if workaday, are all on the positive side.

A scientific, cultural and technical agreement is in preparation which will pave the way eventually for a French cultural centre in Moscow.

Agreements are in preparation on youth exchanges, on the protection of investments, and on the avoidance of accidents at sea. A "grand commission" for bilateral economic questions will meet in February, and Mr Gorbachev will pay a return visit to France in the first half of next year.

In comparison with what is at stake in the foreign and domestic policy revolution which is under way in the Soviet Union, these agreements may seem modest, but they are not so modest as to justify the disappointment of the French press.

The explanation must therefore lie elsewhere; first, in the extraordinary treatment meted out by the Soviet authorities to the visiting French journalists; second, in long-standing French yearnings for a role of global glory which does not seem to be within France's reach.

On professional grounds, it is seldom good practice for journalists to complain about difficulties put in their way. When a journalist is taken hostage by terrorists, he becomes part of the news and an object of interest; when he has difficulty extracting information from mendacious officials, readers simply do not want to hear.

In this case, however, the events have a certain political interest which makes them worth telling. Not merely did Soviet officials obstruct the 100-odd French journalists who accompanied the French President on his visit, but they did so in terms which broke explicit understandings with the Elysée Palace.

The agreed programme was simple. The journalists were to land at Leninsk at 15.30, and be taken by bus to Baikonur, arriving at 16.30, in good time to observe Mr Mitterrand's arrival.

After a visit to the space centre and a press conference by the French President, the journalists would be taken to an observation post next to that reserved for the presidential delegation.

After the launch of the spacecraft, the journalists would be taken at 21.30 to a press centre at Baikonur, to transmit their dispatches or television footage.

Events turned out very differently. Local officials diverted the buses into the countryside at Leninsk for two hours, with the result that the journalists arrived after dark (and could therefore see nothing), and after President Mitterrand.

The public address system for the news conference was so poor, that it was virtually impossible to make out what the President was saying. For the launch, the journalists were parked in an open field a kilometre or two from the launch site; by good fortune, there was no snow, and the temperature was slightly above zero.

And after the launch, the Soviet officials refused to take the journalists back to the press centre (if it ever existed), but escorted the buses willy-nilly straight to the aerodrome at Leninsk, thus making it impossible for any of them to transmit their reports.

No explanation was given for any of these departures from the plan.

Had the Elysee failed to secure hard and fast promises? Were the local military security men at Baikonur simply ignoring agreements negotiated in Moscow, and acting as all security men prefer to act towards the press? Did the French reporters make matters worse by their loud and protracted cries of protest?

The questions went unanswered, amid the angry din of a clash of two cultures.

By appropriate coincidence, the buses carried a large sign in Russian next to the drivers, which read: "Do not smoke; do not argue."

Apart from their professional frustration, and shock at the harsh contrast with the rhetoric of glasnost, several journalists said afterwards that it felt as though the Russians had deliberately inflicted a political humiliation on France and its President.

This, they speculated, was the consequence of conducting a policy towards the Soviet Union which appeared vague, soft and verbose, and which compared unfavourably in effectiveness with the direct crispness of Mrs Margaret Thatcher.

President Mitterrand had adopted a compliant attitude to Moscow's desire to host a human rights conference, and had even started to sound complaisant on Mr Gorbachev's favourite theme of "Our Common European Home". But where has it got us, they asked?

Back in Paris, the Elysée earnestly pushed its own up-beat interpretation of the visit: France was pursuing a consistent long-term policy of co-operation-plus-vigilence; it was absurd to think in terms of a competition with Chancellor Helmut Kohl or Mrs Thatcher, when in fact the differences between the European governments were only a matter of small nuances.

The corollary of such an apologia may be that, in dealing with Mr Gorbachev's Soviet Union, no individual European leader can hope to bring off any great triumph, and may not even be able to afford to pursue an individual policy.

This is not, however, an idea which appears yet to commend itself to the French.

French trade back in the red in October

By George Graham in Paris

FRANCE'S foreign trade account plunged into deficit again last month, prompting renewed concern about industry's export competitiveness. The deficit sank to FFr4bn (£370m) after a small surplus in September, bringing the total deficit this year to FFr27.5bn. Imports fell by 2.4 per cent to FFr88.3bn, but exports shrank by 7.6 per cent to FFr84.2bn.

Mr Michel Rocard, the Prime Minister, described the figures as "preoccupying, without being dramatic." He said the trade deficit for the full year would probably reach FFr30bn, close to 1987's FFr31.4bn.

While recent French trade figures have been highly volatile, fluctuating between a deficit of FFr9bn in August and a surplus of FFr600m in September, the trend over recent months appears to have worsened sharply. The deficit has averaged nearly FFr4.5bn a month over the past three months, compared with an average of less than FFr1.8bn in the first half.

With interest rates pressing upwards in the US and the UK, and with French money market rates already above the Bank of France's intervention range of 7.25-7.75 per cent, the poor trade figures increased the pressure on French monetary policy, which has already suffered from the recent decline of the dollar and the resulting fall of the French franc against the D-Mark.

Yesterday's figures confirm the divergence in the performance of different sectors. Another strong surplus of FFr3.9bn in food and agricultural products and a relatively low deficit of FFr6bn in energy contrasted with a FFr6bn deficit in manufactured goods.

More detailed statistics for the first nine months show that while trade performance improved by around FFr20bn in food, agricultural and energy products, it deteriorated by FFr20bn in manufactured products.

The surge in corporate investment in the early part of this year was the most significant factor, for within the manufactured sector, capital equipment accounted for FFr17bn of the deterioration, and consumer goods for only FFr2bn. This trend may shift in the last months of the year, however.

OECD urges tighter curbs on Iceland

By Robert Taylor in Stockholm

ICELAND HAS missed several favourable opportunities in recent years to make its economy more stable and less prone to inflation, according to the latest report on the country by the Organisation for Economic Co-operation and Development.

Stricter monetary and fiscal policies are essential if Iceland hopes "to contain inflation and safeguard macro-economic stability over the longer term," it says.

However, it also warns that the country has "entered a stage where external economic conditions are likely to be less favourable and where the room for fiscal and monetary manoeuvre is restricted by past actions".

It urges "greater demand restraint" to prevent the "re-emergence of a price-wage spiral, to restore external balance and to check the rise in foreign indebtedness." But OECD officials doubt the Government has the political will to stick firmly by its present strategy of relative austerity.

The present wage and prices restraint is due to end in March, and the OECD fears that this could lead to a surge in wage increases next spring, which would provoke a further depreciation of the Icelandic kroner and an upward twist in the country's familiar inflation cycle.

The OECD report is particularly critical of what it regards as a rather loose fiscal and monetary policy in Iceland over recent years, and calls for a curbing of "the excessive rate of domestic credit expansion".

Australia worries over inflation and payments trends

By Chris Sherwell in Sydney

THE GROWTH in Australia's economy shows signs of slowing, according to statistics released yesterday, but its strength continues to fuel concern over the country's balance of payments and inflation rate.

Quarterly growth figures showed that gross domestic product was just 0.2 per cent higher in the three months to September compared to the previous quarter, and 2.9 per cent higher than in the same quarter of 1987. On a four-quarter basis, GDP rose 3.2 per cent in the year to September.

But the figures, which are subject to revision, also confirmed that domestic demand was still driving the economy. The 0.2 per cent rise comprised a 1.7 percentage point increase in gross national expenditure, offset by a negative 1.4 point effect from net exports as imports growth far outpaced exports growth.

Others figures released yesterday on investment and building approvals, and on Monday for retail trade, also suggested an overall softening in the economy. But analysts cautioned against assuming that the steady tightening of monetary policy begun in April had already taken effect.

For his part Mr Paul Keating, the Federal Treasurer, echoed comments he made in an address to business economists on Monday, saying he saw no need to tighten monetary policy further, and drawing attention to subdued consumption spending and the growth in business investment.

Explaining the Government's position, Mr Keating told his audience that fiscal and incomes policy was carrying as much of the burden as could be expected, and that the Government would keep monetary conditions "appropriately tight for as long as is necessary to moderate demand growth".

Short-term interest rates were already high in relation to both the inflation outlook and long-term rates, he said, and there were lags in the effect of tight fiscal and monetary policy. "We are not looking for a sharp slowdown."

Behind this stance is the Government's concern over both the balance of payments and the inflation rate. Mr Keating confirmed that its A$9.5bn (£4.5bn) current account deficit forecast was likely to be exceeded, and that the 4.5 per cent inflation forecast for June 1989 was difficult to achieve.

But the outlook, he said, was "very promising". Demand may have been too strong, but its pattern has been "highly desirable". The Government's task, he said, was "to manage strength".

Pretoria scraps ban on civil rights funding

By Anthony Robinson in Johannesburg

PRETORIA has quietly bowed to widespread protests from foreign governments and aid agencies and scrapped proposed legislation to outlaw foreign funding of South African civil rights, black empowerment and other programmes.

At the same time the constitutional affairs committee of the President's Council has advised President P.W. Botha to reconsider amended Group Areas Acts which would have imposed heavy fines and long jail sentences on offenders.

The Government's proposed Promotion of Orderly Internal Politics Act would have banned foreign funding for organisations such as the European Community-supported Kagiso Trust, set up to aid victims of apartheid, or those designed to defend the political, legal and other rights of opposition groups and charities, including church groups.

The bill has now been replaced by the Disclosure of Foreign Funding Bill which merely requires all such groups to disclose their sources of foreign income and have their books audited.

Meanwhile, the President's Council ruling is expected to be followed by a new look at the Group Areas Act and the Separate Amenities Act which it last year advised should be scrapped in its entirety.

The whole question of remaining "petty apartheid" has recently taken on a new dimension following the Conservative Party's gains at last month's municipal elections. This has led Boksburg and other CP-controlled councils to try to restore rigid apartheid, and sparked a backlash from black consumers.

This is putting the new right-wing controlled councils under unexpected pressure to tone down their racist policies. At the same time, however, the CP has reacted to government criticism by pointing out that thanks to laws such as the Group Areas and Separate Amenities Act, apartheid remains government policy. Paradoxically, the CP's municipal election victories could force the Government to scrap remaining apartheid laws in order to distance itself from its right-wing challengers.

Sri Lankan violence claims 14 lives

AT LEAST 14 people were killed across Sri Lanka in violence blamed on Sinhalese radicals, and in police actions, military and police sources said yesterday, AP writes from Colombo.

Eight people were killed in the Central and Southern provinces in violence blamed on the People's Liberation Front, an organisation of Sinhalese radicals opposed to the Government's peace overtures to the Tamil militants fighting for an independent homeland in the island nation, said the sources, who cannot be identified under briefing regulations.

Three of the eight victims were hanged from lamp posts.

Police shot and killed three suspected Sinhalese radicals, including a hardcore militant, in north-western Sri Lanka late onMonday, police said.

Three people, including an Indian soldier, were killed in separate incidents in northern and eastern Sri Lanka late Monday, the sources said. The two other victims were not identified.

S Africa mends fences with Mozambique

Military supplies reflect a diplomatic initiative, **Anthony Robinson** reports

SOUTH AFRICA'S new diplomatic offensive to woo neighbouring states took a symbolic step forward on Monday when the SAS Drakensberg, the navy's newest supply vessel, unloaded an estimated Rand 10m (£2.35m) worth of "non-lethal" military equipment at the dilapidated Mozambican port of Beira.

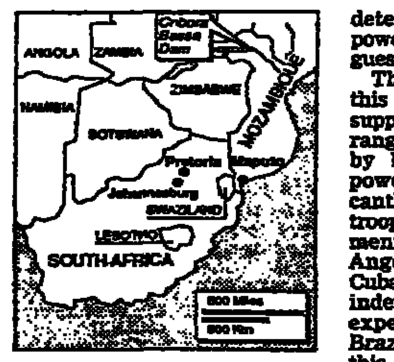
The recipient of the delivery, which included several dozen South African army trucks, tankers and breakdown vehicles, signals equipment, uniforms, medical supplies and foodpacks, was the hitherto mainly Soviet-supplied army of the nominally marxist Frelimo government. They were handed over by Mr Wynand Breytenbach, Pretoria's deputy minister of defence, for use by a special unit of the Mozambican army.

The unit is being created to guard and patrol the 900 km stretch of electricity pylons which runs from the Cahora Bassa dam on the Zambezi river to Pretoria. No power has passed down this line for the last five years due to sabotage by "armed bandits" of the Mozambican National Resistance (Renamo) which South Africa now swears it no longer supports.

Pretoria's past denials have been given little credence by the Mozambican government which captured incriminating evidence in 1985 when Zimbabwean and Frelimo army units overran a Renamo base camp at Gorongoza. They found the diaries of the Renamo commander which recorded a clandestine visit by Mr Louis Nel, a former deputy foreign minister, and evidence of South African arms supplies.

Although South Africa has never formally confessed to having broken the 1984 Nkomati accord, under which it pledged to cease support for Renamo, its delivery of "non-lethal" military equipment is partly a plea to let bygones be bygones.

"We cannot and will not become involved in the domestic affairs of one of our neighbours," Mr Breytenbach pledged, as he handed over the equipment to Mr Antonio Branco, Mozambique's Minister of Industry. "South Africa is the stabiliser of the region and would like to expand this role." Mr Breytenbach added for good measure.



Mozambique's original hopes of improved security and better relations with South Africa were frustrated when Renamo stepped up attacks throughout the country in the wake of the Nkomati Accord. Relations reached a new low after the death of President Samora Michel in an air crash on South African soil two years ago.

But at a summit meeting close to the Cahora Bassa dam on September 15, President P.W. Botha and Mozambique's President Joaquim Chissano pledged to give new life to "the spirit of Nkomati" and make a determined effort to restore power supplies from the Portuguese-financed project.

That meeting, followed by this week's delivery of military supplies, was part of a broad-ranging diplomatic offensive by Pretoria whose regional power status will be significantly enhanced once Cuban troops leave Angola. An agreement aimed at ending the Angolan war, withdrawing Cuban troops and establishing independence for Namibia is expected to be signed in Brazzaville at the end of this week.

But while experts were hammering out the details over months of meetings in Africa and Europe, President Botha was visiting the leaders of the Ivory Coast, Zaire, Malawi and Mozambique for talks which symbolised South Africa's emergence from its Southern African ghetto. Political progress furthermore has been accompanied by major economic agreements with neighbouring states.

These agreements began last year when Pretoria gave the go-ahead to the Lesotho Highlands Water Scheme, a $5bn project to bring water from the Lesotho mountains to South Africa's industrial heartland on the Witwatersrand. Last week African Explosives and Chemicals (AECI), controlled by the Anglo-American Corporation and ICI of the UK, signed a R920m deal to exploit soda ash deposits at Sua Pan.

Both projects have been approved by the Southern Africa Development Co-ordination Conference (Sadcc) although their net effect is to increase the economic interdependence of the region and South Africa's leading role as the major market and supplier of technology.

Meanwhile the degree to which Pretoria's supply of military equipment to Mozambique will have a material effect on the course of the Civil War which has wrecked the Mozambican economy remains to be seen.

When questioned about how long he thought it would be before the newly delivered trucks were either blown up or commandeered by Renamo, a grizzled Afrikaner army officer, watching the unloading of vehicles onto the Beira dockside replied: "About two weeks".

Iranians counter hostages appeal

IRANIAN leaders yesterday parried a plea from Mr Hans-Dietrich Genscher, the West German Foreign Minister, for help in freeing Western hostages in Lebanon, by calling for information on three Iranians missing there, Reuter reports from Tehran. They also told him that no breakthrough on the hostage issue could be expected until relations with the US improved, sources in Mr Genscher's delegation said.

Mr Genscher, the most senior Western politician to visit Iran since the August ceasefire in its war with Iraq, told reporters Iranian leaders said they were ready to press for freedom of Westerners believed held by pro-Iranian guerrillas in Lebanon. "They indicated they were ready to talk on the hostage matter, but they didn't consider it a priority," he said.

Afghan rebel leaders to meet Soviet officials

By Christina Lamb in Islamabad

AFGHAN resistance leaders have announced that they will be holding peace talks with high-ranking Soviet officials in Saudi Arabia tomorrow. The meeting in Riyadh will be the first time that high-level representatives from both sides have sat together in a serious attempt to reach a political solution to the nine-year war.

The Afghan delegation comprises Prof Burhanuddin Rabbani, chairman of the seven-party resistance alliance, Prof Sibghatullah Mujaddidi, leader of the Afghan National Liberation Front, and Mr Abdul Qadeer Keryab, a close aide of fundamentalist leader Mr Gulbuddin Hekmatyar, while the Soviet Union has indicated the seriousness of the talks by sending its key man on Afghanistan, Mr Yuri Vorontsov, Deputy Foreign Minister, the recently appointed ambassador in Kabul.

Saudi Arabia will also take part in the talks, which were arranged by a Saudi envoy who visited Pakistan in September. They come in the wake of a first meeting between alliance representatives and Soviet diplomats in Islamabad held on Sunday, during which the Soviet side tried to restrict discussion to prisoners-of-war, a question that the Mujahideen insisted could not be treated in isolation. As a good-will gesture, however, they agreed to the release of four Soviet POWs, in exchange for 100 Mujahideen captured.

The Riyadh talks are something of a victory for the resistance, who throughout the nine-year struggle have refused to deal with the Kabul regime, maintaining that the conflict could be resolved only by direct talks with Moscow.

Western diplomats in Islamabad are cautious about the prospects of a settlement, but high-level sources in Pakistan's Foreign Office believe that there is room for compromise and the withdrawal will be complete on time.

Labour and Likud likely to join in coalition

By Andrew Whitley in Jerusalem

ISRAEL'S new coalition government is likely to be almost identical to its unhappy predecessor of the past four years, in terms of both policy and political composition, senior politicians from both parties confirmed yesterday.

Following Monday night's meeting with Mr Yitzhak Shamir, the caretaker Prime Minister, Mr Shimon Peres, the Labour leader, is expected today to recommend participation in a national unity government to his party's full executive committee.

Yesterday, Labour Party figures were reasonably confident that mutinous rank-and-file activists could be persuaded to accept Mr Shamir's terms for entry into a government the Likud chief will head. These terms include even representation in the policy-making inner Cabinet as well as a top post for Mr Peres – most probably at the Foreign Ministry again.

Mr Yitzhak Rabin, the Defence Minister, the chief advocate in Labour of renewing the *former* coalition, is already guaranteed a further spell in his job, which includes responsibility for putting down the Palestinian uprising in the occupied territories.

By renewing the policy guidelines drawn up in October 1984, following that summer's inconclusive general elections, Labour and Likud have essentially agreed to bury their political differences in the interests of shutting out the extreme right and most of the ultra-religious parties from government.

According to Mr Ehud Olmert, a close aide to Mr Shamir, the likely coalition line-up will embrace the mainstream National Religious Party and the ultra-Orthodox Sephardi Torah Guardians, or Shas, party. But the price of their participation will be a much more diminished role than they had hoped for after the November 1 elections.

Mr Olmert forecast that, if Labour gives the outline agreement its blessing, a Cabinet could be inaugurated as soon as next Monday. Before then, a further summit meeting between the two leaders will probably be necessary.

In the interests of bringing Labour into a broad government, Likud appears to have made significant concessions. By putting Mr Peres back in charge of foreign affairs, for example, it runs the serious risk of a revival of the Labour leader's "solo diplomacy" of recent years on the Arab/Israeli dispute.

But this is regarded as a calculated, and probably worthwhile risk, to enable Mr Peres to convince his own doubters that the party's peace campaign can be salvaged.

None of the options are easy,
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JOINT DEVELOPMENT OF FSX

US and Japan agree fighter deal

The US and Japan officially agreed yesterday to begin joint development of a new Japanese fighter aircraft in an unprecedented project expected to total more than $8bn (£4.4bn), AP writes from Tokyo.

Under an agreement signed by Mr Sosuke Uno, the Japanese Foreign Minister, and Mr Mike Mansfield, the veteran US Ambassador, Japan will bear the cost of planning and producing the highly sophisticated warplane, to be developed jointly by US and Japanese companies.

The question of US participation in the project had been a focal point of trade friction between the two allies. Japan originally sought to develop the jet using only Japanese companies and technology, while US officials pressed for a joint project to trim Japan's huge trade surplus with the US.

The two sides reportedly agreed in June to allocate between 35 per cent and 45 per cent of the development to US companies, but Mr Kichiro Tazawa, the chief of the Defence Agency, said yesterday that "the details of the division of work between the two countries will be decided later".

The jet fighter, named the FSX, will be based on General Dynamics' F-16, according to a memorandum signed yesterday by Mr Charles Brown, director of the US Defence Security Assistance Agency, and Mr Masaji Yamamoto, chief of the Defence Agency's equipment bureau.

In the two documents, the Defence Agency named Mitsubishi Heavy Industries of Japan the prime contractor and General Dynamics of the US a subcontractor for the project. Two other leading Japanese companies, Kawasaki Heavy Industries and Fuji Heavy Industries, also were designated subcontractors.

The project marks the first time the two countries have combined their defence technologies to develop jointly a fighter aircraft, a senior Defence Agency official said.

The Japanese technologies expected to be incorporated in the aircraft include sophisticated radar, advanced materials and a special auxiliary wing to enhance manoeuvrability. The US side is expected to develop a special engine with increased power.

The Defence Agency earlier said the F-16 would cost less to redesign to suit Japanese requirements than its closest competitor, the McDonnell Douglas F-15.

Each FSX aircraft would cost the Government Y5.15bn (£23m), Japanese officials have said.

Intelligence groups curbed in South Korea

By Maggie Ford in Seoul

THE South Korean Government yesterday moved to limit the powers of the country's intelligence agencies as speculation grew that a Cabinet reshuffle expected shortly would affect a wide range of senior ministers.

On the eve of the resumption of televised hearings into the regime of Mr Chun Doo Hwan, the disgraced former President, the Government announced that a new bill circumscribing the rights of civil and military intelligence groups would be sent to the National Assembly.

The bill would end the role of military intelligence in civilian matters, and place the budget and personnel appointments of the Agency for National Security Planning (formerly the Korean CIA) under Assembly control. The ANSP would be banned from investigating suspects under the National Security Law.

Opposition leaders, students and members of the public have strongly criticised the intelligence agencies for abusing power and illegally arresting political opponents of former military governments under the pretext of national security.

Mr Roh was a close associate of former President Chun who apologised for the misdeeds of his regime last week.

Bhutto sees Soviet envoy

Miss Benazir Bhutto, who appears likely to become Pakistan's next Prime Minister, had lunch with Mr Victor Yakunin, the Soviet Ambassador, yesterday at his embassy, Reuter writes from Islamabad. Officials said Mr Richard Armitage, US Assistant Secretary of Defence for International Security Affairs, and Mr Richard Murphy, Assistant Secretary of State, who arrived in Islamabad for a visit yesterday, were expected to meet her today.

Aquino warns

President Corazon Aquino yesterday said the uneven economic development of members of the Association of South East Asian Nations is threatening the organisation's goal of economic integration, AP reports from Manila.

Burmese train hit

Guerrillas attacked a Burmese train south-east of Rangoon yesterday, killing 28 people and injuring 20, Rangoon radio reported, Reuter writes from Bangkok.

South Koreans overhaul Swiss in trade

SOUTH KOREA'S foreign trade is expected to top $110bn (£60bn) in 1988, taking it above Switzerland into 11th place in the ranks of trading nations, Trade Ministry officials said yesterday, Reuter writes from Seoul.

Two-way trade in 1988 was set to reach the $100bn mark by Tuesday night and would total about $112bn by year's end, they said. Last year trade was worth $88.3bn.

Latest forecasts put South Korea's 1988 exports at $59.5bn and imports at $52.5bn, compared with last year's exports of $47.3bn and imports of $41.6bn.

"1988 has been another bumper year thanks to brisk exports of electronics, steel products, cars and footwear," one trade official said.

"But we are worried about next year's performance. There are signs of slowdown in exports of textiles and toys," he added.

Algerian reforms throw up key questions

Francis Ghilès reports on a brave attempt to change the way the country is governed

MANY OF Algeria's 23m people may still be sceptical, but the sixth Congress of Algeria's ruling party, the Front de Liberation National, appears to have made history this week. It endorsed a series of reforms whose aim is to separate the FLN from the state it has governed alone since independence was wrested from France in 1962.

Managing the FLN will no longer be in the hands of the head of state, but the latter remains president of the party. People who do not belong to the FLN are to be allowed to stand in local and parliamentary elections but no other party will be allowed in the near future. This issue is to be left to an extraordinary party congress next year and then submitted to a referendum. This is ironic since it is obvious that the vast majority of Algerians would endorse multi-party democracy tomorrow, given half a chance.

Laws governing the media are to be rewritten, and senior Algerians insist in private that the greater freedom of recent weeks is here to stay.

The Congress also endorsed President Chadli Benjedid as its candidate for a third term of office. The President has often been thwarted in his attempts to reform the rigid political and economic system he inherited in 1979. But since last month's riots, he has staked out his position much more boldly, kept the momentum for change going, and convinced the FLN to endorse ideas which were anathema to many of its members only a few months ago.

Many of the 5,000 delegates, who included at least 500 army officers, obviously felt they had little choice. Few have forgotten that only six weeks earlier, in towns and villages across the country, demonstrators carefully avoided burning and looting private shops, but systematically destroyed FLN party premises and attacked police stations.

Chadli: kept momentum going

Officially, the party is reverting to being a "front", that is the broad "church" it was from 1954 to 1962, when different currents of thought could express themselves. But even in those days the only issue which ever unified the party was the idea of an independent Algeria.

Much depends in the months to come on whether Algerians who do not belong to the FLN, particularly among the younger generation, choose to join the party. The FLN is also attempting to democratise its internal organisation. Elections will now decide who occupies any post of responsibility. Such people will no longer be appointed from the top.

Three other questions, however, will have to be answered, if the reforms endorsed by this week's Congress have a chance of succeeding:

● Will the authorities really tackle corruption, which has spread fast and visibly in recent years among senior Algerians, at a time when the purchasing power of ordinary people has fallen sharply? How can an agricultural reform aimed at encouraging production of badly needed food (Algeria imports roughly two-thirds of what it consumes every year) succeed if long leases on hitherto state-owned land are systematically attributed to friends of ministers and former "freedom fighters", rather than those who have tilled the land since 1962?

The arrogant display of wealth of the new rich will bring people out on the streets again, if an end is not put to it. On this point, all Algerians are agreed.

● Will a Government which includes more competent ministers than most of its predecessors since 1979 appoint truly competent people, of which there is no shortage, particularly among the younger generation of technocrats, to jobs in public administration and state companies?

Some ministries, such as the key Ministry of Finance, present a sorry spectacle. The World Bank itself is pressing hard for reforms in the banking sector and at the Central Bank because it is frustrated by the excruciatingly slow process of disbursing money for projects.

In the oil and gas industry, the stewardship of Mr Belkacem Nabi, the former Minister of Energy, who held this key portfolio for nearly ten years, has left a bitter legacy. The appointment of his successor, Mr Sadek Boussena, has been warmly welcomed.

● Will managers be allowed to manage and take decisions, even unpopular ones? In particular, will the Government and the FLN rid the country of the four-year-old Statut General du Travailleur, which imposes a rigid grid on salaries of every trade and grade across the country. The SGT code is a truly surrealistic document, which has done considerable damage to industrial output.

There is also a question relating to the private sector. By one of those paradoxes Algeria abounds in, private entrepreneurs had a much easier time in the days of former President Boumediene's hard-line socialism, during which they were officially considered parasites, than today, when their contribution to the economy is openly praised. Shortages of supplies and spare parts mean that many are working at one-third of their capacity. Yet such people often make the consumer goods and processed foods whose very shortage has been so keenly felt.

In his report to the Congress, President Chadli called for an end to "empty slogans". Maybe he was referring to the one that beams out at night from the roof of the Ministry of Industry onto the gardens of the El Djazair hotel, saying: *"Le travail et la rigueur pour guarantir l'avenir"* ("Hard work and rigour to guarantee our future"). More than ever, the capacity of the head of state to implement such principles and get Algerians back to work will decide the future of the country.

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AMERICAN NEWS

Senate Democrats elect Mitchell as leader

By Stewart Fleming, US Editor, in Washington

SENATOR George Mitchell, the 55-year-old Democrat from Maine whose leadership of the Democratic Senatorial Campaign Committee helped his party retain control of the US Senate in 1986, was yesterday elected Senate majority leader.

The vote among the 55 Senate Democrats confirmed expectations that with the party facing a third consecutive term out of the White House, Senate Democrats would turn to a man who they believe has the capacity to be a forceful public spokesman.

The majority leader plays a key role in setting the party's legislative strategy in the Senate. He is ultimately responsible for establishing the Senate's agenda and for developing parliamentary tactics which can play an important role in determining legislative priorities and the outcome of votes on important issues.

Senator Robert Byrd, whom Mr Mitchell will replace, was a past master at manipulating parliamentary procedures to his party's advantage. But increasingly the Democrats have recognised that their long years out of the White House have made it even more important for their leaders on Capitol Hill to be persuasive public speakers, especially on television, on which Senator Byrd never seemed comfortable.

Mr Mitchell, on the other hand, made a strong impression questioning witnesses during the Iran-Contra hearings in 1987. A former federal judge, he came across as a man of integrity and a voice of common sense.

It is unwise to read too much into the selection of a majority Leader so far as party policy is concerned because in an intimate collegial body such as the Senate, personal relationships, as well as broader policy considerations, will have influenced how senators voted.

Mr Mitchell is a moderate north-easterner considered slightly more liberal than the other two candidates, Senator Daniel Inouye of Hawaii and the conservative southerner, Senator Bennett Johnston of Louisiana. He may have been been helped by the emergence during the presidential campaign of Senator Lloyd Bentsen of Texas as a party leader with national stature. Some Senate Democrats may have felt that, with Mr Bentsen as a voice for the more conservative southern wing of the party, Mr Mitchell would provide regional and political balance.

Populist Perez draws Venezuela's voters

Polls put the former President ahead before Sunday's election, writes Robert Graham

Tipping the winner in advance of a Venezuelan presidential election has always been a hazardous exercise. But the pollsters and pundits have thrown caution to the winds by predicting universally that Mr Carlos Andres Perez, the 66 year-old Accion Democratica (AD) candidate, will win Sunday's poll and become the first person in Venezuelan history to be twice elected to the presidency.

Reliable opinion polls give him a 15 point lead over his rival, Mr Eduardo Fernandez, the Copei party candidate. Mr Perez is himself more cautious and has been frenetically criss-crossing this vast country to ensure last-minute support.

If he wins, "CAP" as he is universally known, promises a populist style of leadership with a home-grown socialist philosophy. Colleagues say he will temper populism with pragmatism, acting as a Latin American version of Mr Felipe Gonzalez, the Spanish Premier. Detractors maintain he still behaves as if Venezuela possesses boundless oil revenues, with attitudes conditioned by an outmoded sympathy for state interventionism.

He is openly ambitious for Venezuela to adopt a higher international profile both on oil matters within OPEC and on foreign debt. It was he who pushed through nationalisation in 1976 of the oil industry.

Mr Perez would like to see greater Latin American co-ordination on debt and would seek better terms for the restructuring of Venezuela's own $25bn public sector foreign debt. Without being too specific, he has made it clear he would like to see a reduction in Venezuela's current high debt service ratio.

Both he and the 48-year-old Mr Fernandez have thrown seemingly unlimited resources into a tough and at times dirty campaign that has lasted for the better part of a year. Television, the press, city streets and small towns have been deluged with propaganda.

"CAP" is projected as "El Presidente", the responsible statesman with experience of government. On the campaign trail he harks back to the period of plenty when he was in office from 1974 to 1979.

Oil earnings this year are down to $7.2bn, less than half the size under his administration. At a time when all but the wealthiest of Venezuelans are feeling the pinch from austerity and the limitations of a declining bolivar, Mr Perez's message strikes a responsive chord of nostalgia.

Mr Fernandez, a pugnacious lawyer dubbed "El Tigre", has had an uphill struggle to find the right kind of image. He started out promising a generational change and fresh ideas that challenged the state's traditional paternalistic role and the nation's reliance on oil. But his initial impact has largely evaporated. He has also failed to capitalise on Mr Perez's vulnerability to complaints of corruption under his administration.

The final weeks of the campaign have become bogged down in a jingoistic argument over which future president

Perez: last-minute efforts

would best defend the national interest in Venezuela's vexed frontier dispute with Colombia. The dispute over territory at the entrance to Lake Maracaibo (through which the bulk of Venezuela's oil exports pass) brought the two countries close to conflict in August 1987.

Mr Fernandez has seized on remarks made by his rival to the effect that "CAP" would seek a reasonable compromise with Colombia. With national feeling running high over the incursion of Colombian guerrilla and drug activity into Venezuela, these remarks have been exploited mercilessly.

Indeed, if "CAP" were to lose the election, it would be a mixture of a desire for a generational change combined with the negative impact of the frontier issue. Certainly, the issue could lose AD votes in the congressional elections which are also on Sunday.

The matter has been aggravated by the continuing reverberations of an incident along the Colombian frontier on October 29 when Venezuelan security forces killed 14 persons alleged to be guerrillas. Two survivors of the shooting, now seeking political asylum in the Mexican embassy in Caracas, said they were unarmed fishermen. The bodies were exhumed over the weekend after a public outcry and preliminary evidence suggests they had been shot in cold blood.

In a country long unused to such violence, the AD government of President Jaime Lusinchi has been profoundly embarrassed by the incident, while the military are under attack for an attempted cover-up.

"CAP" has done his best to distance himself from the government on the matter, highlighting one of the curious aspects of his campaign.

Though AD is in government, Mr Perez's relations with President Lusinchi have been at best cold and at times hostile. As a result there appears to be little co-ordination between him and the present government, particularly where economic policy is concerned.

The Lusinchi government's economic policy has been in a state of drift for over 18 months. Reserves have fallen below $8bn – high by Latin American standards but low for Venezuela.

Belatedly the mechanisms have been introduced to permit debt conversion deals and $450m has been already been approved under the scheme. Negotiations are under way for fresh funding from the banks to the tune of $1bn by discounting oil receivables. In addition, a large loan is being explored which would be pledged against the sale of future gold production.

Either way, the country will have to borrow more from an international financial community aware of Venezuela's huge oil and mineral wealth but wary of the kind of campaign commitments made by "CAP" to promote economic recovery amid hints of higher wages.

The main plank of his economic strategy is to establish a social pact between the government, labour and the business community both to control inflation and stimulate a recovery.

President Lusinchi achieved such a pact during his first two years, relying on AD's support in the labour movement to impose austerity. This dose of austerity pruned some of the fat from the system, encouraged import substitution in agriculture and attracted fresh foreign investment, particularly into the expanding aluminium industry. However, during the past year much ground has been lost.

Whoever inherits the presidency for the next four years faces some uncomfortable economic decisions. "CAP" undoubtedly has more stature than Mr Fernandez to carry these decisions through but this is not the basis on which he has gone for the vote.

US growth rate revised upward

By Anthony Harris in Washington

MARKET expectations of tighter US monetary policy rose yesterday after news of an upward revision in the official third-quarter estimate for real growth, and a call for continued monetary discipline, from Mr Wayne Angell, Federal Reserve governor.

US real Gross National Product grew at a revised annual rate of 2.6 per cent in the third quarter, up from a first estimate of 2.2 per cent. Consumer spending on non-durables, and price increases, were revised upwards; the fixed-weight GNP deflator rose at a 5.1 per cent rate, against a first estimate of 4.9 per cent.

GNP estimates are frequently revised upwards as more information becomes available, and the changes were slightly below market expectations. However, current reports suggest a sharp rise in growth and in consumer demand in the final quarter of this year, and the rise in base lending rates on Monday was generally expected. Further increases are foreseen.

Peru strike call

PERU'S largest union association, the General Confederation of Peruvian Workers, has called for a general strike tomorrow to protest at the Government's economic policy, writes Veronica Baruffati in Lima.

The strike will serve to intensify industrial unrest. Yesterday striking miners, bankers, textile workers and state urban transport workers demonstrated in Lima. The health sector is on strike today and the National Teachers' Union has called for a 24-hour strike tomorrow.

IBM settlement stresses key role of software

Alan Cane on the background to the dispute with Fujitsu

OPERATING software, the complex and sophisticated computer programs which manage the inner workings of a computer system, once came "free". Manufacturers bundled the cost of the operating software in with the price of the computer hardware it controlled.

Then International Business Machines, understanding the growing contribution to its revenues that software would represent, in the late 1960s began charging separately for hardware and software.

In doing so, it gave birth to the independent software industry and sowed the seeds for its long-running legal row more than a decade later with Fujitsu, Japan's leading mainframe computer manufacturer.

The announcement yesterday of a settlement through which the Japanese company will pay IBM a lump sum of $833m (£515m) for copying important elements of IBM's mainframe operating software, in addition to more than $400m already paid in licence fees, underlines the growing realisation that software, not hardware, is now the key to computing systems development.

Fujitsu is a plug compatible manufacturer. It makes computers which are functionally identical to IBM's in that they can run IBM's own, legally purchased, operating software although they are of different technological design. Clone manufacturers – chiefly in the personal computer area – make computers which are technologically identical to IBM's. IBM has often taken legal action against these.

Fujitsu's customers reap the benefit of lower pricing and technological sophistication which, the Japanese company would claim, gives better performance than IBM's own hardware. A royalty has to be paid on each copy of the operating software used, of course, and the performance of the operating system – over which IBM has total control – limits the overall performance of the system.

In the early 1980s Fujitsu unpicked the complex threads of IBM's system and wrote its own, copying significant chunks and prodding the world's dominant computer company into legal retaliation.

It has proved a sound strategy. For a comparatively modest payment Fujitsu has managed to pry loose IBM's grip on its most precious asset giving it the right to examine and replicate important pieces of IBM's "source code", computer programming instructions written in languages human programmers, through not computers, can understand. Source code is the raw material for modifying or improving computer programs.

On the other hand, IBM has managed to prevent the Japanese company having anything like full access to its software secrets, its "fundamental and extraordinary software advances" as the company put it yesterday.

The comparatively moderate settlement should smooth the feathers of many in the US software industry who were aghast that a Japanese computer company would be able to have access to IBM software secrets that they were denied.

Walk-out threatens Salinas ceremony

TOMORROW'S inauguration of Mr Carlos Salinas de Gortari as President of Mexico is threatened by an opposition walk-out reminiscent of one which disrupted the state of the union message of Mr Miguel de la Madrid, the outgoing head of state, on September 1, writes Richard Johns in Mexico City.

Such a protest by the broad left National Democratic Front (FDN) would be even more embarrassing given the presence of several Latin American heads of state and foreign ministers including Mr George Shultz, US Secretary of State.

The FDN says that the 144 deputies of its constituent parties will leave the joint session of Congress, unless the ruling Institutional Revolutionary Party agrees to an address by Mr Cuauhtémoc Cárdenas, the FDN leader. Mr Cárdenas would focus on the opposition's refusal to recognise the validity of Mr Salinas's election.

The PRI says that the declaration should be made before the Chamber of Deputies prior to the joint session.

WORLD TRADE NEWS

Fokker may assemble aircraft in US

By Michael Donne, Aerospace Correspondent

FOKKER, the Dutch aircraft manufacturer, is discussing with Lockheed the possibility of the US aircraft group undertaking final assembly of the Fokker 100 twin-engined jet airliner in the United States.

Although there are many details still to be settled, both sides are optimistic that an agreement can be reached, so that a second assembly line for the short-to-medium range 109-seater airliner (the current line is at Schiphol, Amsterdam) could become operational by the early 1990s, probably either in California or in Georgia.

With current orders for 206 aircraft, of which 118 are firm and 88 are options, demand for the Fokker 100 is rising. Fokker is increasing its own assembly rate steadily, from 33 aircraft a year to 46 a year by 1991.

That is the maximum that can be achieved on present facilities at Schiphol, and to raise it further to between 60 and 70 aircraft a year will require additional factory space and equipment. Additional land at the Schiphol plant has already been acquired, and plans for new facilities there are being prepared.

The aim of a US assembly line – with parts supplied by existing component manufacturers – would be to strengthen the Fokker base in the North American market.

Fokker has already won orders from US Air, and from two Canadian airlines, Inter Canadian and Wardair.

Fokker sees a big potential for its new jet airliner among regional airlines in North America, but believes that to exploit that market fully it needs a major assembly facility in the US.

The expansion of the Fokker 100 production facilities will bring good business to the UK aerospace industry, because all Fokker 100s are powered by Rolls-Royce Tay jet engines, and their wings are built by Short Brothers of Belfast, with other UK companies supplying components and equipment.

Malaysian warning to US and EC on protectionism

By Robin Pauley, Asia Editor, in Kuala Lumpur

SOUTH-EAST Asian countries will be forced to form their own trading bloc linked with Japan, if the US and the EC persist with protectionist policies, Dr Lim Kheng Yaik, Malaysia's Minister of Primary Industries, warned yesterday.

Dr Lim said that in the two years since the current Uruguay round of multilateral trade talks was launched at Punta del Este under the auspices of the General Agreement on Tariffs and Trade (Gatt), trade issues had become virtually a "North-North" debate, using the countries of the South as no more than an audience.

"The southern countries would be willing partners to the debate, if permitted, but the North-North development is now getting nonsensical. The closed economies are opening up, and the open economies are closing up," he said.

"I would prefer multilateral trade, rather than trading blocs. But the US and the European Community are pushing other countries towards forming blocs. Japan is opening its economy up.

"The Japanese are now the ones who listen and have shown they are willing to change, especially on agricultural products and tropical products. The Association of South-East Asian nations has opened up. Who pushed Asean that way?" he said.

Malaysia, which is the world's largest producer of natural rubber, palm oil, and tin, is also a major producer of cocoa, pepper and timber.

The commodity sector, excluding oil and gas, accounts for 38 per cent of Malaysia's export earnings. Its exports of palm oil, plywood and canned pineapple face particularly high tariff barriers in the EC.

Attempts, so far unsuccessful, have been made in the EC to introduce a levy on vegetable oils and fats.

This would help fund the Common Agricultural Policy and give the olive oil of EC countries, like Greece and Spain, a further advantage over Malaysian palm oil. The levy was blocked by a minority group of Holland, Denmark, Britain and West Germany.

"In spite of the great efforts, particularly of Britain and Germany, the protectionist tendency remains. I am not convinced that the creation of a single internal market in 1992 will make matters better. In fact, I think protectionist barriers may get worse," Dr Lim said.

In addition to large export subsidies, which Dr Lim says are depriving countries like Malaysia of their legitimate market share, the palm oil industry has also faced a major campaign in the US by the American Soyabean Association.

On the other hand, South Korea had reduced the duty on palm oil and Japan had abolished it.

Brazil plans reforms in bid to end unofficial exchange rate

By Ivo Dawnay in Rio de Janeiro

THE Brazilian government is considering creating a new Cruzado exchange rate aimed at capturing millions of tourist dollars that escape the formal economy and boost the black market.

Also under discussion at the Finance Ministry is a scheme to create an "export" dollar rate – higher than the current official exchange rate – as compensation for sharp cuts in spending on export subsidies and incentives.

Concern has been mounting in recent months at the high margin between the black and official dollars. Yesterday, the euphemistically-named "parallel" rate was Cz920 to the dollar against the official rate of Cz572.

Brazilians travelling abroad are allowed to buy $1,000 at the official rate, but they supplement this with purchases of black dollars at the technically illegal but ubiquitous exchange counters found in all major cities. Similarly, many incoming tourists never enter a bank, but change their dollars through the parallel network.

This multi-million dollar business has been inflated substantially in recent months by the so-called informal debt conversion system. Such conversions have allowed foreigners holding credits at the Central Bank to accept payment in cruzados, then re-export them by buying dollars in the black market.

Ministers sitting as the National Monetary Council will discuss a new tourist dollar policy today.

Mr Mailson da Nobrega, the Finance Minister, has also revealed that studies are under way into the benefits of a new dollar exchange rate for exports. At present, the Central Bank pays exporters for their foreign sales at the official rate.

The minister believes that if something closer to the higher, free market rate were paid, the government could cut costly export subsidies and make large savings for the public sector deficit.

An inevitable consequence of such a change, however, would be new inflationary pressure from increased monetisation in the economy as larger sums are paid out by the Central Bank. However, Mr da Nobrega claims: "The effect on inflation would be less than in the case of a maxi-devaluation."

A Finance Ministry official said yesterday that while the tourist dollar issue could be discussed by the National Monetary Council CMN, the export dollar proposal remains some way from implementation.

● President Jose Sarney of Brazil flew to Argentina on Monday for the latest round of talks with President Raul Alfonsin on integrating their two economies.

At the centre of the talks will be measures to reduce Brazil's substantial trade surplus which last year exceeded $200m.

US rejects import curb on ball bearings

THE US Commerce Department has rejected calls to limit imports of ball bearings, saying domestic producers are operating at or near 100 per cent capacity, AP reports from Washington.

The decision follows a joint study by the Commerce and Defence departments.

The Commerce Department had found in July that US ball bearing manufacturers would not be able to meet national security requirements in the event of a major conventional war.

But President Ronald Reagan in August tentatively ruled out limits until the joint study could be completed.

The Administration wanted to ensure that the domestic bearing industry would be sufficiently healthy to meet production needs in the event of an emergency, without the United States having to rely on outside suppliers.

Mr Marlin Fitzwater, the White House spokesman, said the joint study found that conditions in the domestic bearing industry had improved significantly in the last several months.

His statement said that it was concluded that Administration initiatives should be adequate to bring the domestic industrial base into an acceptable posture for national security purposes.

Mr William Verity, the Commerce Secretary, said that Mr Reagan's decision was made after a thorough review of the impact of bearing imports on national security.

Stewart Fleming adds from Washington: The Administration decision reflects the improvement in the industry which has taken place in recent months as industrial output in the US has recovered under the impact of both increasing domestic and foreign demand.

The fact that the US bearing industry is now working so close to capacity that foreign imports are needed to satisfy demand is a farther indication of the difficulty the US faces in continuing to reduce its trade deficit at a time when the economy is expanding strongly.

Unhappy yarn of a sweater factory without thread

Larry Luxner examines Puerto Rico's problems in attracting investment from Asia

WHAT could have been the most successful example of Far East investment in Puerto Rico has turned out to be an embarrassing fiasco for Governor Rafael Hernandez Colon, for the island's Economic Development Administration (Fomento), and Mr Richard Millman, the investor who first developed the idea.

The project, a joint-venture cashmere sweater plant known as MTEX Puerto Rico, was billed as a good example of Far East investment in this US possession. To date, despite the presence of a Fomento office in Tokyo for the past 12 years, Puerto Rico can boast only four Japanese companies with factories, and none from Asia's "four tigers" – Taiwan, Hong Kong, South Korea and Singapore. (In contrast, the lower-wage Dominican Republic has attracted 15 South Korean companies and Jamaica 10.)

The MTEX project involved the governments of Puerto Rico, the US and China, as well as Hanae Mori, a well-known Japanese fashion designer.

As originally envisaged, a factory run by the Beijing Wool Knitting Industry would process raw cashmere into yarns of various colours. The yarn would then be flown to Puerto Rico and trucked to a factory in the eastern town of Rio Grande. There, some 350 workers would assemble the sweaters for shipment to high-fashion outlets around the world, where they would fetch between $200 and $600 apiece.

Fomento backed the project, while Puerto Rico's Government Development Bank (GDB) put in $6.1m in loans and the Miami-based Capital Bank provided $4.3m in letters of credit to purchase West German and Japanese machinery for the 45,000-sq ft factory.

The problem was, however, as Mr Millman discovered during a visit to China, that the Peking plant was still under construction long after the Rio Grande facility was ready to produce. Because of pressure from the US government, the GDB has delayed foreclosing on the project.

Earlier this month, Mr Millman, president of the Washington-based Transworld Group, submitted to the GDB a plan which would keep the factory, said to be one of the most advanced of its kind in the world, in the hands of MTEX. The agency is studying the proposal and is expected to make a decision soon.

Far more promising is an unrelated plan by Peking's arch-rival, Taiwan, to invest an unspecified sum in an existing

Rafael Hernandez Colon: embarrassing fiasco

joint venture to assemble Puerto Rico's first locally manufactured aeroplane. This aircraft is a 46-seater, the BR-2000, designed for civilian and military use by Bromon Aircraft Company, and is still at the prototype stage.

Taiwan which, until now, has had no direct investment in Puerto Rico, would assume a major equity in the Bromon Aircraft project in Aguadilla, in western Puerto Rico, under the terms of a deal now being reviewed for final approval by the GDB.

The institution has already lent Bromon $30m with an equal amount coming from General Electric, which will supply engines for the aircraft.

"Together with General Electric, there has been very strong interest by the Republic of China in participating in the venture as another financing entity, in exchange for a certain part of future sales," said Mr Jose Ramon Gonzalez, GDB president.

Bromon already employs 160 people at the former Ramey US Air Force Base, and hopes to begin production of the BR-2000 sometime next year, on certification by the Federal Aviation Administration. Plans call for as many as 1,800 workers within five years and the production of 600 aircraft over 15 years.

While declining to give any dollar figures, Mr James Brown, Bromon's president, pointed out that Bromon had been marketing the concept of the BR-2000 throughout the Pacific Rim and that he has had a "dialogue" with the Taiwanese government for more than three years.

Last month, the Philippine Air Force said it would order several BR-2000 planes.

The major reason more Far East companies are not manufacturing in Puerto Rico is simple: high wages. Unlike Jamaica or the Dominican Republic, both of which have average wages of only $3 a day, Puerto Rico complies with the federal minimum wage of $3.35 an hour. Despite repeated trips to Japan and other countries, Mr Antonio J. Colorado, Fomento Administrator, has been unsuccessful in getting Far East investors to overlook the island's high wages in favour of Puerto Rico's political stability and duty-free entry into the US market.

Of the four Japanese companies in Puerto Rico, two are parent companies of local tuna canneries: Mitsui, which employs 750 people at its Neptune Packing subsidiary in Mayaguez, and Mitsubishi, which also employs 750 workers at its Caribe Tuna cannery in Ponce.

A third company, Matsushita Industrial Electric, employs 500 people in Caguas, in the manufacture of wooden housing and components for Panasonic speaker systems. The fourth company is Japanese-owned – Wacoal, a garment maker.

However, Fomento does see a bright spot: on January 1, the "four tigers" will be removed from the US Generalised System of Preferences – a move Colorado says could trigger new Far East investment.

"They realise that the US wants more goods manufactured in the US and less manufactured outside," he said. "Puerto Rico, for that purpose, is part of the US, and is the place where you can manufacture at the lowest cost and with the best advantages."

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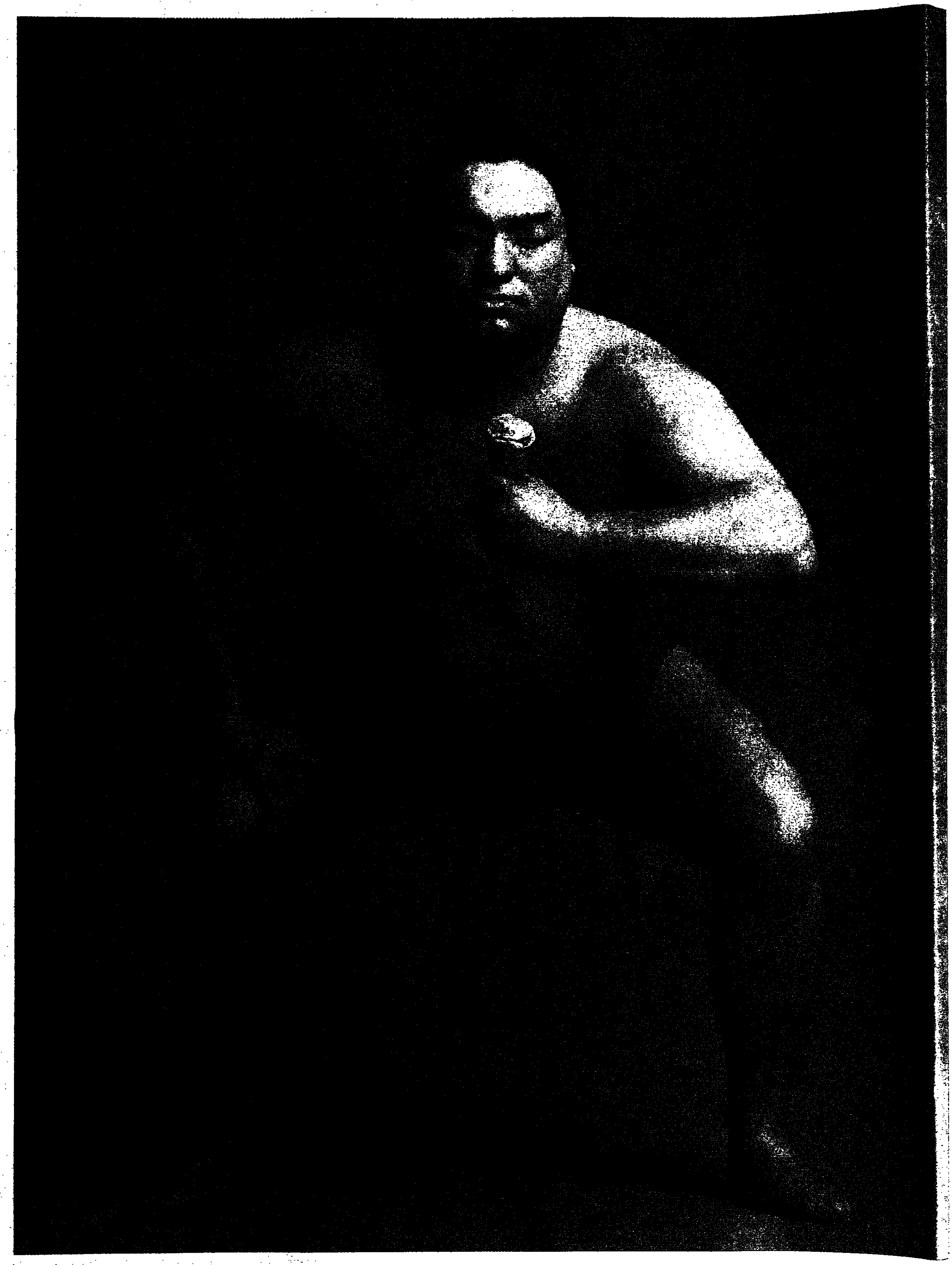


UK NEWS

BSB buys film rights in $160m Colombia deal

By Hugo Dixon

BRITISH Satellite Broadcasting is to pay more than $160m for the rights to broadcast 175 feature films owned by Colombia Pictures, the large Hollywood film studio.

The deal is the largest in a series of purchases made by BSB over the past few months to enhance the attractiveness of the package of programmes that the company will start beaming to homes across the UK next September.

It is also the latest move in a battle between BSB, one of whose leading shareholders is Pearson, publisher of the Financial Times, and Mr Rupert Murdoch's Sky Television. Mr Murdoch last week persuaded Walt Disney, the US cartoon channel, to join his package of satellite channels and also has access to films made by Century Fox, his US film subsidiary.

The battle between Sky TV and BSB has become particularly intense because consumers will have to buy different satellite dishes and electronic equipment to receive programmes from the two organisations.

The companies have, therefore, been increasing the quality of the programmes they are providing in a bid to persuade consumers not to sign up with their rivals.

Under the agreement with Columbia Pictures, which was signed yesterday, BSB will have exclusive rights to broadcast films such as The Last Emperor, Roxanne and Karate Kid in the UK on a subscription basis. It will also have rights to a number of films Columbia has yet to release, such as Ghostbusters II.

In recent months, BSB has concluded similar but smaller deals with four other film studios: Cannon, Warner, MGM-UA and Mr David Puttnam's new film company. These moves have given BSB access to more than 850 films.

"We are being chosen by Hollywood as the vehicle for their precious films in the UK market," a BSB spokesman claimed.

BSB refused to be pinned down on how the Columbia purchase would be financed, except to say that it would be "managed within our existing plans".

The company, however, has recently made clear that the high expenditure on acquiring film rights will force it to raise more money than initially planned in a rights issue next summer. It is now looking to raise more than £500m, compared with an original plan of £400m.

Rupert Murdoch: leading Sky TV's fight against BSB

Call to lift limit on mineworkers' shifts

By John Gapper, Labour Correspondent

BRITISH COAL yesterday called on the Government to remove legal constraints stopping miners from working underground for more than seven and a half hours at a time. It said working hours should be freely negotiated with mining unions.

The call followed the signing of the first six-day flexible working agreement for Asfordby pit in Leicestershire with the Union of Democratic Mineworkers, and a sustained push for more flexible working patterns by British Coal.

The corporation said it had urged the Government to repeal provision of the 1908 Coal Mines Regulation Act which restricts the length of miners' shifts. Most miners work five shifts of seven and a quarter hours each week.

British Coal made its call as the first legislative package of a planned reform of mining safety regulations was laid before Parliament. The reform, which has been criticised by some unions, would allow more flexible local practices.

Under the reform, which the Health and Safety Executive is trying to implement before the planned privatisation of British Coal, managers would be expected to conform to a code of practice rather than having all practices laid out by law.

Mr Ken Moses, British Coal technical director, said at a media briefing that the corporation wanted to introduce longer shifts at north-east collieries where face workers had to spend a long time travelling underground.

The corporation had approached the Government on the subject and wanted freedom to negotiate longer shifts in some pits. "There is not anything particularly onerous about working underground for 10 hours or so," he said.

Despite unofficial lobbying by British Coal, the Government is not to repeal the 1908 restrictions in the Employment White Paper announced last week, which will sweep away many legal restrictions on employing women and young workers.

The Department of Energy said no formal request had yet been made to the Government by British Coal for repeal of the 1908 provisions on working time, but any such submission would be considered carefully.

Sir Robert Haslam, British Coal chairman, said the corporation intended to follow the Asfordby deal by signing a flexible working agreement with the UDM for the proposed Margam drift mine in South Wales.

After the rejection of a flexible working deal for Margam by the National Union of Mineworkers, the UDM – which broke away from the latter after the 1984/85 miners' strike – has been trying to recruit local miners, but Sir Robert said it would not matter if they had no members at the pit, or locally.

Second bid to sell off national laboratory

By James Buxton, Scottish Correspondent

THE Government is to make a second and more cautious attempt to privatise the National Engineering Laboratory after the failure of the privatisation initiative launched during the summer by Lord Young, Trade and Industry Secretary.

Management consultants have been appointed to make a detailed study of the government research institution, based at East Kilbride near Glasgow. A supervisory board is to be appointed to consider any restructuring of the laboratory recommended by the consultants.

Last June, Lord Young unexpectedly called for commercial bids to be made within six weeks for NEL, which carries out engineering research mainly for the Government but also for private industry. He argued that since most of NEL's work was relevant to private industry, the private sector should pay for it.

Nine bids were received and in late August the DTI named YARD, the Glasgow-based engineering consultancy, as the preferred bidder. In early October, however, talks with YARD collapsed, apparently in disagreement over the level of government funding which YARD wanted during the move to the private sector.

Private and public health sectors 'to raise co-operation'

By Richard Donkin

A BREAKDOWN of ideological barriers between public and private health care sectors was leading to greater co-operation between the two, Mr Bob Graham, chief executive of British United Provident Association, told a Financial Times conference on private health care in London yesterday.

Mr Graham said the growth rate of the private health care industry had been more rapid than that of the national economy and had become a £1bn industry serving more than 10 per cent of the population and providing about 14 per cent of UK health care.

"The latest estimate is that about 17 per cent of the nation's elective surgery is now performed in the private sector," he said.

The horizons of the private sector, said Mr Graham, would continue to be bounded by the National Health Service. "I remain convinced that the NHS will continue to be the principal provider of health care for the foreseeable future," he said.

He rejected proposals such as tax breaks and subsidies for the industry which had been mooted in the past. He said: "It would be unwise to base future planning on economic crutches given to the industry by a government of one political persuasion which could be kicked away overnight by a new regime of a different persuasion."

Mr Graham also rejected exemptions of tax contributions for those using private health care. "I believe it right and proper that users of private medicine should pay their full share of taxes towards the NHS, thus avoiding both the suggestion and the reality of a two-tier system of health care with first- and second-class services," he said.

"Demand for health care is insatiable. It simply continues to outstrip the growth of provision," said Mr Graham. But while the proportion of GNP spent on private medicine in Britain was only 0.8 per cent, in both West Germany and France it was 1.8 per cent.

The theme of greater co-operation between the private and public sectors was supported by Mr Brian Edwards, regional general manager of Trent Regional Health Authority, who said that income generation would become a growing feature of Health Service finance. "Income generation targets of some £100m a year now seem possible," he said.

Shopping, marketing, advertising, employee services, and sponsorship, he said, were all obvious areas for Health Service income. "I expect the NHS to operate a far more mixed economy in the future. In Trent we now routinely pay the private sector to help us top off long waiting lists."

Mr Peter Townsend, chairman of Bioplan Holdings, said his company had led the field in developing private health care facilities in partnership with the NHS.

All negotiations with the Health Service, he said, had been held on an open book basis, so that each could see the costs involved.

He said there was every possibility that partnership, properly structured, could lead to the NHS being the preferred provider of health care in the UK.

Dr Ken Grant, district general manager of the City and Hackney District Health Authority in London, said the Health Service needed to be very careful about putting low dependency patients out to the private sector, while continuing to take in high dependency patients, since it put staff under stress.

Mr John Chawner, chairman of the private practice committee of the BMA, said the Health and Medicines Bill had given managers of health authorities wider powers, with the result that many managers were now looking at new ways of raising income, such as opening shops or banks.

General Dynamics offers tank deal

By Lynton McLain

GENERAL DYNAMICS, the US arms manufacturer, has offered UK companies co-production of the US Abrams main battle tank it has offered the British army in competition with Vickers.

The US company also offered "long-term partnerships" in tank design which would give British companies access to other world markets if the US tank is chosen.

General Dynamics said yesterday that it had talked to the UK companies capable of making main battle tanks, but it would not say if it had talked with Vickers.

Ministers are to decide before the end of the year whether to buy the Vickers Challenger II tank or Abrams.

The decision on which tank to buy is regarded by the minister of defence as the most difficult defence procurement decision it has had to make. Lord Trefgarne, the minister for defence procurement, said last week that the decision was more difficult than the Nimrod decision, which resulted in the Government cancelling the GEC-Marconi Nimrod airborne early warning contract – after almost £1bn had been spent – in favour of the US Boeing AWACS aircraft.

Gooding unveils buy-out plan

By Clay Harris

MR ALF GOODING, the Welsh industrialist, yesterday unveiled a buy-out plan to consolidate his control over the Gooding Group, a private company which owns Race Electronics, a Cardiff-based supplier of circuit boards to several Japanese electronics groups.

The offer from Tachdale Investments, a buy-out vehicle owned by Mr Gooding's personal interests and Citicorp Capital Investors Europe, values Gooding Group at £25.6m.

The proposal is intended to lead to a reconstruction of Gooding to enable Race "to maximise its potential in the electronics components industry," the bidder said.

Race is the only operating company left in Gooding, after the £6m management buy-out in January of Servis, the manufacturer of washing machines, fridge freezers and microwave ovens.

Gooding had previously sold Porth Decorative Products, a manufacturer of artificial Christmas trees; Convertec International, a paper and board metalliser; and Wiljay, a designer and manufacturer of pumps and compression equipment.

Slowdown in growth to 2.5% by 1990 forecast

By Peter Norman, Economics Correspondent

ECONOMIC GROWTH in Britain will slow noticeably next year and in 1990 – but remain above the European average, according to the Society of Business Economists.

The society's forecasting group said Britain will avoid a recession although growth will slow to 2.9 per cent in 1989 and 2.5 per cent in 1990 from an average of 4 per cent this year. It forecast a decline in Britain's current account balance of payments deficit to £11.6bn in 1989 and £9.8bn in 1990 from £13.9bn this year.

The society, which brings together economists working for banks, brokerage houses and industrial and commercial companies, broadly shares the Government's view that the economy can achieve a soft landing from its present overheated state.

It is notably more optimistic than the National Institute of Economic and Social Research. That independent forecasting group last week forecast a sharp decline in economic growth to 1 per cent by 1990 and a current account deficit of more than £15bn that year.

The *Society of Business* Economists is also less pessimistic than many City of London commentators about the outlook for inflation in Britain. It forecast that retail price inflation will peak at around 7 per cent in early 1989 before falling back to result in an average inflation rate of 5.7 per cent next year and 4.9 per cent in 1990.

Looking further ahead, the society forecasts that economic growth will average 2.3 per cent a year over the 10 years to 1998. It expects inflation will average 4.8 per cent a year in the 10-year period, with the current account balance of payments recording an annual deficit of around £8bn.

The society says that it estimates unemployment will total 2.5m in 1998 compared with 2.2m last month. It expects a continuing decline in the share taken by manufacturing in the nation's economy. Communications, banking and financial services will be the fastest growing sectors of the economy over the next 10 years, it says.

City crash 'weeded out dead wood'

By Joel Kibazo

BETWEEN 5,000 and 6,000 people lost their jobs after the stock market crash of October 1987, but most of them soon found new employment and salaries for many working in the City of London continue to rise, according to a report published yesterday.

The report, a quarterly survey from management consultants Wyatt based on replies from 400 companies on their data bank, says that despite reports of more than 50,000 people losing their jobs after the crash, only a few high-flyers actually suffered, and all that took place was a redistribution of clerical and supervisory staff, "a weeding out of "dead wood".

More redundancies are, however, expected to come at a later stage from the stockbroking sector particularly among those firms who escaped the first wave.

Salaries had to rise this year particularly for those earning less than £25,000 a year and the report expected an overall increase in 1988 City salaries to be close to the national average of 9.7 per cent.

Nationally, the highest salary increases went to employees based in the South West and London.

Analysts weigh up best of British

By Christopher Parkes, Consumer Industries Editor

THE PURSUIT of excellence in British industry ends in a cul-de-sac less often than certain pessimists may suppose.

ICI's heart drug, Corwin, Persil Liquid detergent, the Rolls-Royce Tay Turbofan aero engine, and a new roofing tile, for example, have all won places in a league of the best of new British products for 1988, produced by Management Today, the business monthly.

Compiled by a panel of leading stockbrokers' analysts, the selections were based on criteria which included use of innovative technology, creativity and design, exploitation of a market gap, sheer impact and modernising a traditional approach.

In retailing, for example, pride of place went to Complete Kit, published by Great Universal Stores. Described as friendlier and other mail order catalogues, it represented "a genuine step forward," the panel decided.

The Tay Turbofan was considered friendlier to the environment than other engines because of its quietness, fuelefficiency and the fact that it more than matched international environmental requirements.

Singleton of Auchroisk, a malt whisky from Grand Metropolitan's IDV subsidiary, was seen as "approachable in a drinks category full of heather and confusion."

ICI won two mentions. Its digital paper-plastic film for optical data storage offered a significantly cheaper and more flexible alternative to the floppy disk. The 11-year £100m programme to produce Corwin yielded a new means to beat congestive heart failure.

Further signs of life in the textile industry showed in an accolade for Arctex thermal underwear from Dawson International, while Iceland Frozen Foods won praise in the food retailing division for its new £10m cold store at Clwyd, North Wales.

Other honourable mentions went to: MB Group for the Metpolam system for bonding plastic to metal, the peg tile from Steetley Tile & Brick, second generation cordless phones from Ferranti and Shaye Communications, the Xerox 5046 copier, and foreign currency mortgages offered by John Charcol, part of the Abaco financial services group.

First Technology of Fleet, Hampshire, won a place with its cheap and efficient accelerometer, property group London & Metropolitan with its Watchmoor Business park near Camberley, Surrey.

Trend to European monetary union 'may be inevitable'

By Simon Holberton, Economics Staff

GREATER monetary integration and even monetary union may be an inevitable consequence of the European Community's move towards a single market for goods and services in 1992, according to Mr Gavyn Davies, chief UK economist of Goldman Sachs.

The economic sovereignty which some EC countries are so keen to protect could become increasingly "trivial" after 1992 as most of the crucial areas of economic management such as trade, regional and industrial policy, devolve to the European Commission.

In such a context "monetary sovereignty amounts to one thing only, the freedom to inflate more rapidly" than other member countries, Mr Davies says in a paper* published yesterday.

However, if the consequences of 1992 point towards the inevitability of closer monetary relations, possibly ending in monetary union and the creation of a European central bank, Mr Davies points out that the process will have to be slow and painstaking.

He says the Delors Committee, which was established by the June summit of EC leaders in Hanover to investigate European monetary and economic union, bears much of the responsibility for mapping out a "feasible" path.

Mr Davies proposes a four-stage process which, he says, could lead to monetary union by the turn of the century. The steps would be:

● The encouragement of greater private use of the European Currency Unit (Ecu) and a reduction in the frequency and size of realignments in the European Monetary System's exchange rate mechanism.

● The official Ecu becomes interchangeable with the private Ecu. Community countries set joint monetary targets. Britain joins the exchange rate mechanism of the EMS.

● The official Ecu is now created by swaps for national currencies, not foreign currencies and gold as before. A single authority conducts foreign exchange intervention. Internal exchange rates are fixed and the Ecu becomes legal tender throughout the EC.

● A European central bank is created. Monetary policy is formed centrally, the Ecu ceases to be a basket currency and is issued by the central bank. Domestic currencies are left to gradually wither away.

Such a system would resemble the Gold Standard which operated among leading world economies from 1876 until 1913, Mr Davies says, "without being accompanied by any form of political union between the participating states."

The Gold Standard also showed that the free flow of capital is not inconsistent with fixed exchange rates, or with a position under which the participating countries had different current account positions.

Gavyn Davies, A Plan for European Monetary Union." Goldman Sachs International Ltd., 5 Old Bailey, London EC4M 7AH.

Distribution market in EC set to expand

By Kevin Brown, Transport Correspondent

THE value of the European Community distribution market for food and drink products is likely to expand from between £54bn and £60bn to around £81bn by 1992, according to a report published by a big UK distribution company yesterday.

The report, published by Contract Distribution, a subsidiary of the National Freight Consortium, says that the completion of the single EC internal market will lead to growth in distribution demand for the foreseeable future.

The NFC forecasts annual increases of between 5 per cent and 10 per cent in demand for contract distribution – in which manufacturers and retailers hand over their distribution activities to specialist companies.

Mr Mark Bedeman, managing director of NFC Contract Distribution, said UK contract distribution companies were poised to capture a significant share of the European market because of their greater size and sophistication.

Mr Bedeman said the UK industry had been forced to develop efficient logistics systems to compete in the deregulated domestic market, and had achieved sufficient financial muscle to acquire or establish operations elsewhere in Europe.

Continental competitors were closer to their own markets, but had failed to develop similar sophisticted distribution systems because of protection from competition offered by highly regulated national transport systems.

NFC believes only a handful of companies, mostly based in the UK, France and West Germany, are likely to be of sufficient size to establish pan-European operations after 1992.

These companies are not named in the report, but would probably include Christian Salvesen, Transport Development Group and Tibbet & Britten of the UK; Kuehne & Nagel of West Germany; and Calberson, Skac and Gefco of France.

In addition, some express delivery companies have shown interest in expanding into grocery distribution, including TNT, based in Australia, and Federal Express and United Parcels Service of the US.

Managing the European Supply Chain; £10 or Ecu15.5, from NFC Contract Distribution, Stephenson House, Brunel Centre, Bletchley, Milton Keynes.

More than 75% of new cars had unleaded petrol option

By Kevin Done, Motor Industry Correspondent

MORE THAN three-quarters of the new cars sold in the UK in the first nine months of the year can run on both unleaded and leaded petrol, according to the Society of Motor Manufacturers and Traders.

The SMMT said that vehicle manufacturers were continuing to make "big strides" towards meeting the objective, set out in recent Government legislation, that by October 1990 all new petrol-engined vehicles should be capable of using unleaded petrol, without any adjustment to the engine or special precautions.

In the first nine months of the year nearly 30 per cent of new cars sold met this criterion, while a further 50 per cent of new cars could use unleaded petrol after a minor engine adjustment and possibly with certain special precautions.

One in five new cars sold still came into the category, however, of needing exclusively leaded petrol, where the engine was not designed for use on unleaded petrol and would be damaged by it.

The SMMT, the motor industry trade association, claimed that two-thirds of all the cars and light commercial vehicles in the UK – about 14m vehicles – could use unleaded petrol.

Of these some 3.3m vehicles needed no engine adjustment, while the rest could be adapted by a minor adjustment with advice from a dealer.

The growing campaign in favour of the use of unleaded petrol still appears to be making little headway, however. According to figures from the Institute of Petroleum, unleaded petrol accounted for less than 0.7 per cent of total UK petrol sales in the third quarter of the year.

At the same time according to the SMMT only around 2,500 of the total 25,000 petrol stations in the UK currently offer unleaded petrol, although the total should exceed 3,000 by the end of the year.

Very few cars at present on sale in the UK have to run exclusively on unleaded petrol, although these will become increasingly common over the next few years, and some manufacturers are beginning to offer optional low-pollution catalytic converter equipped cars.

Volkswagen said recently that it would offer catalytic converter equipped versions of its entire range in the UK by next autumn.

Adjusting suitable engines to use unleaded fuel was usually a simple procedure costing a few pounds, said the SMMT. Once adjusted, engines were equally suited to unleaded or four-star leaded fuel, removing any concern about the lack of availability of unleaded petrol in some locations.

Airlines developing 'speedier' air ticket

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS and three other European airlines, Air France, Lufthansa and Swissair, are developing a new form of airline ticket – the ATB, or automated ticket *and boarding* pass, designed to speed the flow of passengers through congested airports.

The ATB is a machine-readable card with a magnetic stripe on the back, which combines the airline ticket and the boarding pass.

It should provide faster and smoother check-in and boarding.

Other benefits include better security – the tickets will be impossible to forge or alter, thereby saving the airlines millions of pounds lost annually through such malpractices.

The tickets will also improve information available to airlines on revenues, passenger travel habits and preferences.

BA will in summer convert a number of its check-in desks and boarding gates at London's Heathrow Airport with magnetic boarding-pass printers and readers, while the first BA ticketing points such as travel shops and agents will be converted to issue the magnetic ATB ticket.

Plans are being developed with the international Galileo *computer reservations system*, of which BA is a member, and the airline's own Travicom computer system, to enable travel agents to use the system.

The ATB will be simple to use. When a passenger presents his or her ATB at a check-in desk, the clerk feeds it into a printer, clearing the passenger for the flight.

At the boarding gate, the ATB is fed into another machine, know as a gate reader, which divides it into its two parts, the coupon and boarding pass. The first is retained by the airline and the latter given back to the passenger.

All the airlines in the scheme intend to install the system progressively.

By the end of next year, many of the four airlines' passengers will be using the tickets both in airports and at travel agents.

UK NEWS

Kitchens on alert after salmonella outbreaks

Lisa Wood reports on food poisoning fears

A current wave of anxiety sweeping through Britain's kitchens – with the fear of food poisoning from a "three minutes" egg or an egg nog – stems from a strain of bacteria called salmonella enteritidis.

It is a new strain of salmonella which has been suspected of causing food poisoning in 26 cases this year and has provoked warnings from the Department of Health about the dangers of eating eggs raw and the best practice in cooking them.

Food poisoning is causing growing concern in Britain. The University of Bradford's Food Policy Research Unit recently reported an increase of 50 per cent in reported cases of bacterial food poisoning between 1982 and 1986.

The report, which looked at what industry was trying to do to control sources of infection said: "The fundamental problem is that people generally do not take the issue seriously enough even though food-borne disease is a genuine food safety hazard.

"If more people were concerned then the necessary pressure would be generated for appropriate action to be taken by government and by the other authorities involved."

The large-scale publicity given to the cases of food poisoning associated with salmonella enteritidis and eggs is probably out of proportion to the risk.

Nevertheless, the incidence of salmonella infection among poultry is a major concern for the Ministry of Agriculture, Fisheries and Food which next month will publish a new code of practice for the control of salmonella in poultry.

Salmonella is ubiquitous in nature and one of the main sources of it is poultry, consumption of which has risen dramatically over the past decade.

Scientists estimate that up to 50 per cent of birds stored in the supermarkets chill cabinets contain the bacteria – hence the advice on the proper cooking of fowl, particularly the large Christmas turkey.

Eggs have traditionally been known to be at risk from salmonella contamination with the bacterium being generally found in the gut of the laying birds.

Contamination generally stems from faecal contact with shells because of dirty nest, cracks in the shells or poor handling.

Salmonella enteritidis – a bacteria which is no more pathogenic for man than any other salmonella – is a strain that has the potential to infect the bird's reproductive system. Scientists believe that this could be one route for the current contamination of eggs.

One approach to the control of salmonella in both laying birds and chickens would be to eliminate the bacteria from the birds.

In Denmark a scheme has resulted in a sharp decrease in the frequency of salmonella outbreaks in poultry although the disease has not been eradicated.

In Britain the first tentative steps are being taken with the a new code of practice drawn up by the Ministry of Agriculture, Fisheries and Foods.

The code, which will be first introduced by producers of breeding birds, concentrates on eradicating infection from foodstuffs and the environment. It is hoped the code will subsequently be taken up by the rest of the industry.

Although the MAFF says there is no evidence that the intensive husbandry of birds inevitably causes more infection, modern production methods may give a greater potential for infection.

Dr Terry Roberts, head of microbiology at the Institute of Food Research (Bristol Laboratory) of the Agriculture and Food Research Council says, for example, that modern methods of rearing chicks – with the birds being separated from their parents – leaves the chicks more vulnerable to salmonella infection.

His laboratory has been working on their early immunisation.

The project is not yet suitable for large-scale introduction in the industry and government cut-backs in research could put this at risk.

The Government itself insists that it is not cutting back on spending on food safety.

An important strand of the Government's thinking is a concentration on consumer awareness. The MAFF and the Department of Health – which last week gave advice on the proper handling of eggs – are at present investigating the whole question of consumer education in food.

Research, for example, is being instigated into what happens in the typical household when the shopper buys a ready-to-eat dish which has been kept at a controlled temperature until the point of sale.

Similarly, falling levels of preservatives give shorter shelf lives for foods.

Whether consumers are being sensible and heeding advice on the proper cooking of eggs is yet to be seen.

As far as the producers and retailers are concerned there has not been any down-turn in sales. One major producer said: "There are 30m eggs consumed every day in Britain. They are one of the safest foods around."

Single market 'in danger of losing momentum'

By Kevin Done, Motor Industry Correspondent

MR GEOFFREY Whalen, president of the Society of Motor Manufacturers and Traders (SMMT) and chief executive of Peugeot Talbot warned last night of the danger of losing momentum in the development of a single market in Europe.

Motor industry concern focused on three main areas; disagreement between member states on the harmonisation of VAT rates, the continuing lack of common technical standards and the lack of clear objectives for vehicle exhaust emissions.

"No one expects the single market to emerge in 1992 complete and whole, but we do need a few more signs of real progress," said Mr Whalen. "I detect a growing scepticism on the readiness of European governments to make a genuinely single market work."

- There were were vast discrepancies in retail car prices in Europe, said Mr Whalen, with total car taxes in the European Community ranging from 12 per cent in Luxembourg to more than 230 per cent in Denmark and Greece.

If customers were able to move freely through frontiers and if tax rates were not approximately the same, car buyers would buy in the cheapest market. It was very difficult for the motor industry to plan on such suppositions.

- Differing technical standards in Europe imposed "enormous" engineering and building costs on the European motor industry, he said. Common technical standards would be a "great simplification and saving", but Mr Whalen questioned whether officials in transport ministries throughout the Community were not "thinking up ways to retain in some obscure but pernicious way many of their own national rules and regulations."
- On vehicle exhaust emissions, Mr Whalen said it was "completely against the spirit of a single European market" if individual countries discriminated against certain vehicles through taxation measures, even though the vehicles complied with EC exhaust emission rules.

Mr Whalen made a special plea to the British Government not to increase the taxation of company car benefits for high-mileage business users.

After the doubling of scale charges in the budget last March, no further increases in taxation for either the average or high mileage company car driver would be justifiable, he said.

Those seeking to destroy the whole system of company cars "might masquerade as radical or courageous", but they were in fact "small-minded and dangerous." Any further increases in tax on the majority of company car drivers would be "punitive".

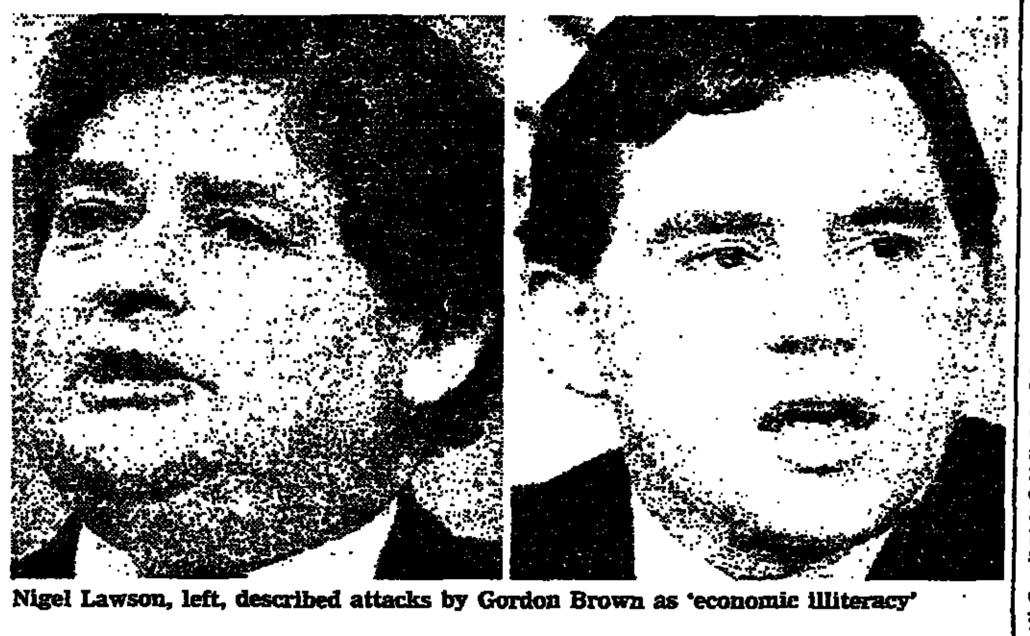
Any such increases would "wantonly damage the UK motor industry" by diminishing and distorting the UK car market, increasing car imports and widening the industry's trade deficit.

If a country wished to be "powerful and economically strong" it needed a powerful motor industry.

QUEEN'S SPEECH DEBATE

Chancellor rules out any change of direction in his policies

By Ivor Owen and Tom Lynch



Nigel Lawson, left, described attacks by Gordon Brown as 'economic illiteracy'

POLICY changes were ruled out by Mr Nigel Lawson, the Chancellor of the Exchequer, in the Commons last night when he fended off a sustained Labour attack on his handling of the economy.

He insisted that the record deficit on the current account of the balance of payments would not lead to a sterling crisis and described the slowdown in the growth of demand which was now required as "a simple and straightforward task".

Mr Lawson dismissed as "economic illiteracy" charges by Mr Gordon Brown, who led the Labour attack, that by squandering the unique advantage provided by North Sea oil and returning to the "stop-go" economic crises of earlier years he had "failed the country".

The Chancellor admitted that, with the benefit of hindsight, he had been mistaken after the Stock Market crash on Black Monday in October last year, when he judged the risks of recession to be greater than the risks of inflation.

He forecast that, as in 1985, the "vigorous use" of interest rates would be successful in dealing with the current inflationary "blip", but he warned Tory backbenchers to brace themselves for a period of increasing government unpopularity as existing homeowners, as well as new buyers, felt the impact of higher mortgage interest rates.

Mr Lawson's combative speech was heard in silence by most government supporters and his insistence that there would be no policy changes brought a mocking response from Labour MPs who waved their parliamentary papers in the air – a gesture usually made by Tory backbenchers to mark a triumphant announcement.

He was strongly criticised by Mr Edward Heath, the former Conservative Prime Minister, who, using a golfing metaphor, maintained that a "full set of clubs" rather than a single weapon was needed to deal with inflation and the surge in credit.

In less critical terms Mr Norman Tebbit, the former Cabinet minister and ex-chairman of the Conservative Party, cautioned the Chancellor against rushing in to a further rise in interest rates.

Mr Lawson scoffed at the attempts to compare the deficit on the balance of payments current account with the difficulties experienced in earlier years, contending that the risk of a resurgence of inflation was the "only real problem" now facing the British economy.

It was to avert that risk and ensure that "within a matter of months" inflation resumed its downward path that he had sharply tightened monetary policy "culminating in the increase in base interest rates to 13 per cent last Friday".

Mr Lawson was repeatedly ridiculed from the Opposition benches when he again argued that the inclusion of mortgage interest payments in the retail price index obscured the underlying rate of inflation, which he expected to peak at 5½ per cent before resuming a downward trend.

Firmly ruling out a return to credit controls, he described them as a "dead end" which, in any event, could not be made to work without the restoration of exchange control.

The Chancellor was adamant that interest rates were a "singularly well-directed instrument of policy" and predicted that their principal effect would be on consumer spending and not corporate spending.

In addition, he said, they accorded with regional needs by ensuring that the south of England where mortgages in excess of £30,000 were most prevalent, felt the greatest impact.

Mr Lawson acknowledged that the current account deficit, even though it arose from private sector activity and was not the counterpart of a capital inflow to finance a Budget deficit, could not be sustained indefinitely.

He again maintained that the deficit would correct itself as personal savings rose again, not least in response to the higher level of interest rates and the end of the "great housing bubble".

Mr Lawson emphasised the strength of sterling and declared: "I am determined that it shall stay strong for the indefinite future."

Mr Brown, who triumphed over what he described as a "stunt" by Tory backbenchers to disrupt his speech, told Mr Lawson that people were no longer asking whether any of his policies would succeed but: "Who will succeed the Chancellor?"

To Labour cheers, he contended that the higher interest rates, the higher inflation and the record balance of payments deficit were the direct result of mistakes made in the Treasury.

Mr Brown said they were mistakes for which millions of people were already paying dearly and for which the Chancellor had yet to pay.

He maintained that the consumer boom engineered by the Chancellor could not be sustained – not because the economic growth rate was too high but because the capacity of the economy was too low and the Government's commitment to long-term investment had been inadequate.

Mr Brown condemned the price rises resulting from Government policy – higher mortgage repayments, higher electricity and water charges and higher rates, with higher telephone and gas charges still to come.

Recalling reports that the Chancellor had spoken of the need for Tory backbenchers to be educated about the need for introducing selectivity in social security payments to retirement pensioners, he said: "It is now Tory backbenchers who now need to educate the Chancellor about what people are thinking."

MR NIGEL LAWSON had to endure an unnerving preliminary exchange during Prime Minister's Question Time before beginning his main speechin the debate on the economy.

Mr Nigel Griffiths (Lab, Edinburgh South) reminded MrsMargaret Thatcher that she once described the Chancellor as "brilliant". He asked her if she still held to that view becausenobody else did after what had happened to interest and mortgage rates, and the record deficit on the current account.

To jeers from the Labour benches, the Prime Minister replied: "I think Edinburgh is a very flourishing city."

Mr Lawson, sitting in the most remote corner of the Government front bench by the Speaker's chair, did not join in the laughter.

Lord Barber backs Lawson's higher interest rates strategy

By John Mason

The strategy adopted by Mr Nigel Lawson, Chancellor of the Exchequer, of raising interest rates to reduce demand was supported by Lord Barber, the former Conservative Chancellor of the Exchequer.

In a parallel debate on the economy in the Lords, he dismissed other remedies such as credit controls or tax increases.

Credit controls would be easily got around, while income tax increases would damage the confidence of the business community.

Reducing the value of the pound to stimulate exports and discourage imports would soon add to prices and increase inflation.

Lord Barber said the problem was not poor competitiveness on the part of British industry – productivity and manufactured exports were both rising impressively.

"The problem is quite simply an exceptional growth in domestic demand which British industry cannot satisfy. The Chancellor has taken the right action in the circumstances that face him and he should be supported."

Lord Barber said it was a matter of judgment whether Mr Lawson should have reduced interest rates as much as he did early this year. However, it could not be argued that, on the information he had then, the size of the September trade deficit could be forecast.

Lord Aldington (C.) – who chaired the special Lords Select Committee on Overseas Trade that three years ago called for more emphasis on manufacturing industry – argued for bringing the pound down from its present artificially high level.

The methods used to tackle inflation should not hinder the expansion of manufacturing.

"Constantly high interest rates, with a known intention to keep them high in real terms, not only increases costs and hinders investment in manufacturing, not only adds to the cost of credit sales, not only affects small businesses particularly, but leads to the exchange rate of the pound being higher than it otherwise would be."

An artificially high pound left British industry having to compete on unequal terms and had damaged its expansion.

Lord Aldington said the long term problem of the trade gap would not be solved by cutting demand.

"What we have to do is somehow to stimulate manufacturing industry in order to increase its output year by year more than demand increases."

He rejected the Government's dismissal of credit controls in the short term.

"It is rather wet of the Government to say that they cannot find a way of discouraging credit expansion."

Lord Ezra (SLD) said high interest rates could only increase inflation through higher mortgage rates, industrial costs and wage settlements.

He insisted credit controls could be made to work and denied the average consumer could easily avoid them.

"We are not talking about restricting the credit of large international organisations. We are talking about trying to limit the credit of Mrs Smith of Surbiton.

"If we persuade her local bank manager not to go on giving her credit, is she then going to go home and immediately ring up her favourite Gnome of Zurich?"

TV IN HOUSE

Changes in procedure unlikely

By Michael Cassell, Political Correspondent

THERE ARE unlikely to be any early changes to Commons procedures, following introduction of television cameras, according to an all-party select committee report published yesterday. The Procedure Committee, which has been examining the likely impact on the rules of the House of the televising Commons business, says it has been struck by "the overwhelming weight of evidence" against changes in procedure or practice at this stage to suit television.

There have been a variety of suggestions aimed at altering procedures to accommodate the televising of Commons business, reflecting concern among some MPs that viewers will find many of the proceedings unintelligible. It has also been suggested that the business time-table should be changed to fit television schedules.

According to the committee, the case for a pragmatic approach to possible procedural changes has been strengthened by the reported experiences of overseas legislatures and of the House of the Lords, together with assurances from the broadcasters that viewers can be provided with adequate explanations of any procedural complexities.

The report points out that the order of parliamentary business has been changed in Australia to make items deemed newsworthy coincide with peak broadcasting time. In Canada, the practice of banging desk-lids to indicate support has, for accoustic reasons, given way to applause.

The committee stresses that while it will not make any recommendations for change in advance of the installation of cameras, the six-month experiment will be closely monitored.

Committee members say they cannot rule out the possibility that the need for changes in Commons procedures or in the order of business may emerge during the experiment.

ROYAL ORDNANCE ASSET VALUATION

'Windfall profit' claim rejected

By Tom Lynch

THE GOVERNMENT yesterday rejected Labour claims that BAe was likely to gain a windfall profit from sales of sites of Royal Ordnance factories due for closure.

Mr Roger Freeman, the junior armed forces minister, did not refer directly to figures produced in the Commons on Monday by Mr Bryan Gould, the shadow Trade and Industry Secretary, who claimed that Warburg Securities had identified "easily realisable" property worth £517m from Royal Ordnance, a company which cost BAe £190m.

Mr Freeman said the Ministry of Defence had obtained an open market valuation for the land, including development potential, but "we did not reveal it to the prospective purchasers because we thought they would take a more optimistic assessment."

He reminded MPs that the sale had been by open competitive tender, and accused the Opposition of taking too much note of "rumours in the press and speculative valuations originating in the City." The land referred to lay in the green belt, and development was likely to be resisted, though the valuation assumed eventual limited industrial use.

Mr Martin O'Neill, the shadow Defence Secretary, said one of the reasons for the Royal Ordnance sale had been the existence of surplus capacity, and it had been obvious that land would be available for sale. He said the company had been sold for "a knock-down price" and the taxpayer had been denied a significant sum.

ANTI-TERRORISM RULING AND THE RYAN AFFAIR

Government feels grip of a new shackle in battle against IRA

By Charles Hodgson in London and David Buchan in Strasbourg

THE RULING by the European Court of Human Rights that Britain's anti-terrorism laws are in breach of the European Convention on Human Rights coming amid the row over the failed extradition of a leading Irish terrorist suspect has left the Government feeling embittered and friendless in its battle against the IRA.

The court ruling confronts the Government with an uncomfortable dilemma. It will have to decide either to water down its new Prevention of Terrorism Bill, introduced only days ago to renew the existing core powers of detention and arrest without trial, or seek a rare derogation from the ruling on the grounds that the powers are justified by the threat posed by terrorism to national security.

Coming on top of the row over the failure of the Belgian authorities to extradite Father Patrick Ryan, the Irish priest wanted an in Britain on conspiracy charges, his speedy repatriation to Dublin, and the subsequent failure of the Irish authorities to arrest him, the ruling left the Government feeling suspicious of its European partners' commitment to fight terrorism.

The Strasbourg-based European Court ruled that Britain was in breach of the convention for not bringing terrorist suspects in Northern Ireland before a judge "promptly" after their detention.

The case arises out of a complaint by four men who in 1984 were detained in Northern Ireland without charge or judicial review for periods varying from more than four days to nearly seven days.

The court judged the UK to have failed to comply with Article 5 of the convention under which those arrested "shall be brought promptly" before a judge or legal officer. The UK was also wrong to deny those detained "in contravention of the convention" an enforceable right to compensation under Northern Ireland law.

However, the main court ruling – by a 12-7 majority of the court's judges – made no judgment about the possible overall duration of detention for terrorist suspects. In recognising the special problem terrorism presented in Ulster, the court said "the context of terrorism in Northern Ireland was therefore held to have the effect of prolonging the permissible period of police custody prior to appearance before a judge".

The UK's offence had been simply to prolong that period a bit too far, the court suggested.

Ministers were last night insisting that they would have to study the 40-page court ruling in detail before taking any decisions. But Mrs Margaret Thatcher, the Prime Minister, was adamant in the Commons that the police would be given adequate powers to fight terrorism effectively.

Mrs Thatcher also stressed that the Government had to take account of the human rights of the victims and potential victims of terrorism in framing its legislation.

Some comfort was being taken in Whitehall from the court's acceptance that the powers of the Prevention of Terrorism Act to detain suspected terrorists were justified. What is at issue is the length of detention without access to "judicial authorities". At present the police can hold a suspect for 48 hours before having to seek authorisation for further periods of detention from the Home Secretary or Northern Ireland Secretary up to a total maximum of seven days.

The Northern Ireland Office stressed that more than 80 per cent of those detained under the act had been charged or released within a five-day period and more than 50 per cent of those detained for six days or longer were subsequently charged with serious offences, including murder and attempted murder.

While the Government is not ruling out seeking a derogation, it may decide either to reduce the overall period of detention to the European average of 72 hours, or make provision for a court hearing during the first 72 hours, at which it would seek a further period of detention. It is likely to announce its initial response to the court ruling by mid-December when the new Prevention of Terrorism Bill comes before the Commons.

European Court officials said they expected Britain to comply with the judgment, as it had done with the 21 previous human rights rulings that had gone against it.

They discounted the possibility that the Government might successfully seek a derogation for Northern Ireland from provisions of the European Human Rights Convention. Until 1984 Britain had such a derogation for Ulster in the context of special legislation then applying to the province.

The officials pointed out that the current Prevention of Terrorism Act applied to the whole of the UK, which could not be argued to be in a state of "war or other public emergency threatening the life of the nation". This is the phrase in Article 15 of the convention, under which derogations can be justified.

They noted that while periods of detention without judicial review in Northern Ireland may have outstripped those prevalent in the rest of Europe – where a maximum of 72 hours was the legal norm – this was not so in Spain, where a suspected terrorist could be detained without judicial review for 72 hours, plus a possible further extension of seven days by the executive, although a Spanish judge had to be notified of such an extension and could order release of the detainee.

While officials stressed that Britain would respect its obligations under the human rights convention, there will be pressure from Conservative MPs, Ulster Unionist politicians and the police in Northern Ireland to retain the seven-day detention period.

Mr Alan Wright, chairman of the Police Federation for Northern Ireland, which represents more than 10,000 Royal Ulster Constabulary officers, said it was essential that the seven-day period for detention of suspects was retained.

Conspiring to cloud the issues

A.H.Hermann analyses differing views on the law of conspiracy

ANY ATTEMPT to make a legal analysis of the UK request to extradite Father Patrick Ryan and of actual refusal of the Belgian authorities and the imminent refusal of the Irish Republic to comply with this request, is tainted by an air of unreality: Belgium's fear of reprisals by the IRA and the political climate of Dublin, together with similar fears, seem to deprive legal arguments of all significance.

Nevertheless legal arguments of sorts are likely to be crossing the English and Irish Channels in abundance. Trying to analyse them brings us up against a second cloud of unreality: the authorities asking for, or denying, the extradition are extremely vague in their claims making it difficult to know what their arguments really are.

Father Patrick Ryan: alleged to have had bomb manual

The British request for extradition to Belgium, appears to have been based on a charge of conspiracy to commit murder between 1975 and 1988. Nothing more is known about the evidence which the Director of Public Prosecutions intends to present to the trial court. The quality of such evidence is an important consideration for the judicial and administrative authorities deciding on extradition in the country which holds the fugitive.

The other three charges specified in the request for extradition concern the possession of explosives and of 52 integrated circuits suitable for detonating explosives. The nature of these charges would make one assume that British authorities can offer some substantial evidence, and indeed, according to reports Fr Ryan was arrested in 1976 by the Swiss authorities after he was found to be in possession of bomb-timing devices. Since this was not a crime under Swiss law, he was released 10 days later.

According to reports from British official sources, Fr Ryan has been collecting and laundering money for the IRA and buying arms and explosives. It is also alleged that when arrested in Belgium, he had numerous workshop manuals for making and handling bombs.

The common law offence of conspiracy has been substantially amended by the Criminal Law Act 1977. This defines the offence as an agreement with one or more persons to do something which, if completed as intended, would be a criminal offence. Most extradition agreements and certainly the two with Belgium and the Republic of Ireland provide for extradition only if the suspected act would be a criminal offence in both the requesting country and the country holding the fugitive.

The republic's criminal law includes an offence of conspiracy parallel to the British; indeed, Mr Charles Haughey, the Irish Prime Minister, was, acquitted in 1970 of conspiring to import illegally arms destined for the IRA.

The Belgian criminal code, by contrast, does not include an offence denominated "conspiracy", though it has another similar one known as "associating with criminals". It can also be assumed that an agreement to commit an offence in co-operation with someone else, particularly when some practical steps were taken towards the criminal objective, could lead in Belgium to prosecution for a criminal attempt.

The offence of conspiracy is a widely used device to prevent the intended crime taking place. It is used in connection with fraud, and still survives as the common law offence of conspiracy to defraud.

It has, however, always attracted the greatest attention when used against politically motivated conspirators. Here, agreement can often be proved only indirectly, by parallel actions of the conspirators which could not be explained without a prior agreement.

The offence of political conspiracy got a particularly bad name in Communist countries where convictions were obtained on the flimsiest of grounds: in the early 1950s to buy a railway ticket for a relative who returned to a country illegally from abroad was often enough to result in a 20-year prison sentence.

This indicates the enormous elasticity in the offence of conspiracy and the ease with which it can be abused. In their turn, authorities which are asked to extradite someone accused of criminal conspiracy can, if they are reluctant to comply, use the suspicion of a possible abuse as an argument against extradition.

PM 'dismayed' by Belgian decision

By Tom Lynch

MRS Margaret Thatcher, the Prime Minister, yesterday attacked the Belgian and Irish governments over the events which led to the disappearance in Ireland of Father Patrick Ryan, whose extradition Britain is seeking for alleged terrorist offences.

She told MPs at Question Time she was "utterly dismayed" at the Belgian decision to refuse to extradite Fr Ryan last week, after he staged a 22-day hunger strike. He returned to a clinic in Ireland, from which he discharged himself on Monday in spite of extradition proceedings by the British Government.

She said fresh extradition warrants had been acquired for Fr Ryan on Friday and sent to Dublin "together with all the documentation required by the Irish Attorney General," who had taken no action.

"It is no use governments adopting great declarations and commitments on fighting terrorism if they lack the resolve to put them into practice."

The failure of the Irish Attorney General to secure Fr Ryan's arrest was "a matter of very grave concern," said Mrs Thatcher. "Although the Government of the Republic of Ireland makes fine-sounding speeches and statements, they do not always seem to be backed up by the appropriate deeds."

Michael Mates: 'abject surrender' by republic

From the Conservative back benches, Mr Timothy Kirkhope (Leeds North East) and Mr Michael Mates (Hampshire East) expressed anger over Fr Ryan's disappearance.

Mr Kirkhope said the Belgian decision was "utterly shameful." Events in Ireland showed "apparently deliberate lethargy," which cast doubt on the republic's commitment to the fight against terrorism.

Mr Mates urged the Prime Minister to make immediate representations to the Irish Government over its "abject surrender for short-term political gain."

Despite the "fine words" of the Anglo-Irish agreement, the republic was still seem as a safe haven for terrorists.

Mr Paddy Ashdown, leader of the Social and Liberal Democrats, distanced himself from the "overheated rhetoric" of Tory backbenchers, but said events in Ireland were particularly disturbing in view of the forthcoming review of the Anglo-Irish agreement.

After Question Time, Mr John Hume, leader of the Social Democratic and Labour Party, protested that nobody been called in the course of questions to put a differing point of view. He and some Labour backbenchers called on the Government to make a full statement about the affair.

● Later, Conservative backbenchers reacted angrily when Mr Edward Heath, the former Prime Minister, appeared to suggest that British lack of co-operation in European initiatives created the climate for decisions such as the Belgian refusal of extradition.

During the debate on the economy, Mr Heath renewed his call for full UK membership of the European Monetary System and accused Mr Nigel Lawson, the Chancellor, of being "politically insensitive" in failing to understand the attitude of other European Community members when the UK took positions which they believed were against their interests.

Mr Norman Tebbit, the former Conservative Cabinet minister, said Mr Heath appeared to imply that the Irish or Belgian attitude towards the extradition of suspected terrorists was "conditioned in some way by the attitude of this country towards the EMS."

Mr Heath retorted: "The attitude of countries is affected psychologically by how other countries behave towards them Anyone with experience of international politics understands that full well."

Challenged by other Conservatives, he maintained that lack of co-operation spread a psychological attitude among other countries.

MANAGEMENT

Alfred County Railway: rising volume of freight and tourist traffic

Rolling along private lines

Anthony Robinson on the resurgence of a South African railway

The spirit of enterprise is alive and well in a small, but scenic corner of South Africa's railway system. Eighteen months after it was closed as uneconomic by the state-owned South African Transport Services (SATS), the 122-kilometre narrow-gauge line from Port Shepstone on the Natal south coast which runs through rolling timber, tourism and sugar country up to Harding, re-opened as a private enterprise called the Port Shepstone and Alfred County Railway Company (ACR).

The move to save the line began shortly before its closure in October 1986 when local timber growers, businessmen and steam railway enthusiasts formed the Alfred County Railway Committee. A year later, prompted by the enthusiasm of American steam railway enthusiast Al Jorgensen and railway civil engineer Charlie Lewis, the new company was formed.

Jorgensen is convinced that the privatised railway can make a healthy profit for itself, pay taxes to government and supply SATS mainline with a rising volume of freight traffic trans-shipped by cranes onto SATS broader gauge at Port Shepstone.

Entrepreneurship, and determination to pare costs and provide a first class service are crucial to its success.

The railway has already proved itself a major tourist attraction for southern Natal and guarantees the further economic development of a rapidly growing area. Black purchasing power and economic development has been boosted in recent years by higher wages for black workers from the surrounding Transkei and Kwazulu homelands.

Privatisation has been pushed to the top of the South African government's economic priorities, a major ideological shift for a government which for decades believed firmly in a form of Afrikaner national socialism to provide jobs and status for its white Afrikaner supporters. The state is still far and away the biggest employer of whites.

Under the circumstances, the move to privatise many of these industries is not universally popular. Many worry that state monopolies will be replaced by private or near monopolies without any corresponding gain in efficiency or profit to the community. Privatisation is opposed by the right wing white conservative party and white trade unions as being a "sale of the (Afrikaner) family silver".

Cosatu, the biggest black union federation, meanwhile, is ideologically committed to more, not less, nationalisation in line with the 1956 "freedom charter" which calls for nationalisation of the major banks and corporations to gain worker control over the economy's "commanding heights".

ACR has emerged out of what is still the largest single employer in the state sector. SATS has recently undergone a re-vamp of top management and created a leaner, more market-oriented organisation after mounting evidence of gross mismanagement. Last week a government-appointed commission of inquiry found that SATS had suffered R3.2 bn (£750m) of foreign exchange losses as a result of the previous management's failure to protect the company from the depreciation of the rand.

Management's reluctance to drop apartheid from its rail and other services contributed to a dramatic fall in passenger traffic as blacks deserted trains in their millions for the new black-owned private taxi services. This forced SATS to cut back its long distance trains by about 90 per cent this year and to axe dozens of unprofitable branch lines like the ACR.

A major plus for the new private operator is the fact that SATS sold locos, rolling stock and equipment at virtually scrap prices. Wagons which would cost over R75,000 to replace were bought for R400 to R500 each. Locomotives with a spares value of around R100,000 were bought for between R3,500 and R10,000.

By converting loco boilers to an enhanced efficiency combustion system called "gas producer combustion" ACR expects to reduce coal consumption by 20 per cent, increase power and run heavier trains at higher speed.

A further productivity gain is promised by the simple device of removing 16 out of the 20 steel pillars used on conventional pulp log wagons and loading the timber sideways in pre-packed bundles instead of separately and lengthwise. The net result has been to reduce the weight of each wagon by 2¼ tons, or 40 tons per train, and more than double the carrying capacity of each wagon from 8 to 18 tons. As a result the net payload per train has been raised from 90 to 180 tons. Experiments with containers have also proved that the narrow, 610 mm wide line can also take full-sized container traffic on slightly modified wagons.

Timber is crucial to the privatised railway's success, although its most profitable operation is expected to be the tourist passenger trains.

Harding, a charming hill town of tin-roofed bungalows surrounded by sub-tropical trees and plants, is the centre of the fastest growing timber area in the country. The forests are expected to double current annual production of 200,000 tons of round timber over the next decade. Most of it is processed in the pulp mill at Umkomaas on the SATS Mainline, halfway between Port Shepstone and Durban.

By building a new timber depot and weighbridge at Harding and keeping tariffs competitive, ACR expects to pick up the bulk of timber traffic which at present uses a badly disintegrating road.

According to a prospectus issued in March when the company offered 1.8m shares to raise R1.8m, pulpwood should provide 56.4 per cent of ACR's estimated revenue in 1991 with treated timber contributing another 5.4 per cent, against 18 per cent for general cargo serving the 320,000 people within a 40 km radius and 20 per cent coming from more frequent tourist trains.

If all goes according to plan, ACR expects by 1994 to be earning profits of over R1.1m on turnover of R5.72m after paying over R400,000 to SATS as royalties. It also expects to pay the government nearly R562,000 in taxes on a railway which in 1986 paid no taxes and lost SATS R7.6m.

If ACR is as successful as its backers hope, their example could be followed in at least 10 other parts of the country recently deprived of their branch lines.

Management abstracts

Testing a model of quality circle processes. *K.R. Jennings in Consultation: an International Journal (US). Spring 88 (10 pages)*

Deplores the fact that, notwithstanding the very large number of organisations that have QCs, little research has been done on the underlying processes. Seeks to fill the gap by setting up a model in the expectation that over time the participation of members in QC groups would highlight the hypothesised interconnections among the modelled variables; the variables were also measured in a control group. From the data obtained, draws conclusions on the strategies practitioners and consultants should employ to increase the effectiveness of QCs.

Linking R&D computers to corporate information systems. *D. Stamps in Datamation (US). July 1 1988 (4 pages)*

Asserts that R&D computers should feed information straight into corporate information systems, quoting examples of such links, eg at Marion Laboratories the formula for a new drug, along with engineering process control data is passed directly to manufacturing computers. Quotes R&D people as to why their systems should remain separate; traces hardware, software, and cultural aspects which have kept them separate, and describes integration progress at several companies.

Make the most of computer-aided design. *T. Neill in Engineering Computers (UK). July 88 (3 pages)*

Also titled "Squeeze the last drop from your investment", and to that end finds that existing CAD systems can be expanded and put to good use in a variety of other areas, eg as a desktop publishing system.

Expert systems: machines that think like you – sometimes better. *G.L. Porter and E.J. Blocher in Financial Executive (US). May/Jun 88 (6 pages)*

Categorises expert systems for financial analysis into three areas: production of relevant analyses; decision facilitators which produce exception reports; and decision-making systems. Uses a second type – answers – to look at the figures of a now-bankrupt company and produce observations on possible courses of action.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Teachers back to training

David Thomas on the UK Government's management task force

One of the most ambitious attempts yet to open up the few tracts of Britain still virtually uncharted by the management training industry was launched yesterday. The School Management Task Force was unveiled by Kenneth Baker, Education Secretary, in a new drive to instil management disciplines into the 20,000 primary and 5,000 secondary schools in England and Wales.

The potential represented by the initiative is large. Not only are schools collectively big money, accounting for more than £10bn of government spending each year, but the people who run them are ripe for training.

David Styan, who chairs the Task Force, reckons that considerably less than a tenth of the school managers to be addressed by his task force have had any sustained management training. And the target audience is large: about 25,000 head-teachers and their deputies, and perhaps the same number again of other senior staff such as departmental heads.

These are precisely the people in the frontline of the Government's educational reforms, such as the new national curriculum and the delegation of many more decisions from local authorities to schools.

Styan, director of the Warrington-based North West Educational Management Centre, sees his prime job as to introduce order into the currently fragmented scene. "There are lots of good things going on. But they are bitty, patchy, repetitive and some people can't get access to them at all."

This is partly a question of ensuring that training is available to senior managers in every school in the country; it is also a matter of raising the often patchy quality of existing schemes to that of the best.

Demand is buoyant thanks in part to the considerable sums being dedicated by the Government to management training in schools. But Styan sees the supply of trainers as the main constraint, at least for the next few years. "The particular bottleneck at the moment is good quality delivery."

A former head-teacher whose management centre is funded by a consortium of local authorities in the north-west, Styan points to three ways of increasing that supply.

- Encouraging more companies to lend a hand in training heads and other senior teachers. Already a growth area, many large concerns have made a point in recent years of inviting heads on to their internal management training courses as part of their educational support activities.

Styan's own centre in the north-west has links with companies as diverse as Pilkington, ICI, British Aerospace, Ferranti and Rank Xerox. He has found that heads value contact with senior industrial managers, provided the people from industry do not assume they are there to tell heads how to run their schools.

- More commercial training and management consultancy organisations will enter the market, Styan believes, now that the educational reforms provide a clear need for more management training in schools and the Government is backing that need with hard cash.
- Given the size of the task, Styan sees the greatest immediate potential in an emerging

Considerably less than a tenth of school managers to be addressed have had any sustained management training

trend for self-help. The idea is for a small number of heads or administrators in each local authority to be trained in management and for them in turn to act as training consultants for the rest of their colleagues.

British Petroleum, a company noted for its educational work, is planning to launch an experiment in this cascade type of management training next year. "It is better to teach them how to fish than to give them fish," explains Chris Marsden, head of BP's education unit, in a wholly unironical reference to conventional wisdom in Third World development work.

Early next year, BP will be laying on tailor-made 19-week courses for heads and education officers from five education authorities – Bexley, Merton, Havering, Essex and Hertfordshire. At the end of their stint with BP, they should be able to act as management training co-ordinators in their local authority.

David Styan is clear as to the sorts of management skills most in demand by the people running Britain's schools. Much comment has focused on the need to train heads in the narrow skills needed for their new financial responsibilities under the Education Reform Act, but Styan believes this to be largely misplaced. While school managers may benefit from some initial training in paring estimates and so on, Styan dismisses these as "not very high level skills."

Much more crucial, in Styan's view, is helping heads to manage the introduction of the various initiatives now transforming British education. "The aspect which is most of interest is managing imposed change."

The nebulous, but crucial skills of making decisions in complex organisations and then carrying them through with the consent of colleagues are what many school heads lack. "It is also the most obvious area where school staff feel they have something to gain from industrial experience," Styan maintains.

His task force will draw up an initial report by next spring on how to move more management training in schools onto a new level. Its recommendations will be carried through over the next three years.

There will be no shortage of suggestions for a more radical approach if Styan's task force does not deliver the goods. One is set out in a book published today by two US professors of educational administration, Bruce Cooper and Wayne Shute, who have been recent visiting fellows at London University's Institute of Education.

All US school heads and administrators have to hold a certificate of formal management training as a condition of their employment. Cooper and Shute suggest a similar system for Britain: the British Government should lay down formal certification requirements for heads to take specified courses and exams in management training.

Training for School Management: Lessons from the American Experience. Institute of Education, 20 Bedford Way, London WC1H 0AL. £6.50 incl p+p.

FT LAW REPORTS

Buyers of broker business liable for non-completion

BRITISH AND COMMONWEALTH HOLDINGS PLC v QUADREX HOLDINGS INC
Queen's Bench Division (Commercial Court): Mr Justice Hirst: November 24 1988

WHERE THE buyer of a business unduly delays completion, time becomes of the essence of the contract though no specific completion date was fixed, if the seller gives reasonable notice that he requires performance by a certain date, and if the agreement as a whole and the nature of the business show that the parties were to use the utmost diligence. And the fact that the seller knew the buyer was having difficulties in raising finance for the purchase price is irrelevant to the question whether notice was reasonable in the circumstances.

Mr Justice Hirst so held when giving summary judgment for the plaintiff, British and Commonwealth Holdings plc, against Quadrex Holdings Inc, a US company registered in Delaware, in an action for breach of contract arising out of the sale for £280m of two money-broking businesses.

HIS LORDSHIP said that on July 16 1987 B & C offered to buy the entire share capital of Mercantile House Holdings. At the same time it announced its intention of selling Mercantile's wholesale broking division consisting of MW Marshall & Co, an English international money broking company, and William Street Holdings, a US broker in US government securities.

On August 13 it was agreed between B & C and Quadrex, that if B & C acquired 100 per cent in Mercantile House it would transfer the wholesale broking division to Quadrex for £280m. Specified completion arrangements were to take place "as soon as reasonably practicable" after certain conditions had been satisfied.

In September Quadrex entered into a loan agreement with Citibank, to fund the purchase price. The financing terms were confidential and did not come to B & C's knowledge until October. One of the conditions of the loan agreement required the cooperation of the directors of Marshall. They refused to give that cooperation and Citibank subsequently refused to fulfil its commitment on the ground that Quadrex had failed to comply with all the express conditions of the loan agreement.

Quadrex was unable to complete the agreement with B & C on the provisionally agreed date of December 17, nor the subsequent date, January 6. On January 25 B & C wrote to Quadrex giving notice that it required completion no later than February 28, and that unless Quadrex completed by that date B & C would treat its failure as a repudiation of the contract.

Quadrex failed to complete on February 28. B & C applied under RSC Order 14 for summary judgment against Quadrex for breach of contract. It was only entitled to summary judgment if it could establish that it had an unanswerable case on liability, to which there was no arguable defence.

B & C contended and Quadrex denied that it was an implied term of the agreement that time was of the essence of the contract, and that the notice of January 25 was reasonable notice.

The general principles relating to time being of the essence were correctly summarised in *Chitty on Contracts 25th ed para 1391*. At Common Law in the absence of contrary intention, performance of the contract had to be carried out on the exact date specified. A party could treat the contract as repudiated if the other party's performance was not completed on the fixed date, since time was off the essence.

In equity the court gave relief against failure to keep the assigned date "if it could do justice between the parties". By section 41 of the Law of Property Act 1925 the rules at law were now the same as those in equity.

Only in three cases, said *Chitty*, was time of the essence of the contract: (1) where the parties had expressly stipulated that the time fixed for performance must be exactly complied with; (2) where the circumstances of the contract or the nature of the subject matter indicated that the fixed date must be exactly complied with; (3) where time was not originally of the essence of the contract but one party had been guilty of undue delay and notice was given by the other fixing a reasonable time for performance. In deciding what was reasonable notice, the court would take into account all the circumstances.

Mr Grabiner for B & C submitted that time was of the essence. Mr Waller for Quadrex submitted as a matter of principle that time could only be of the essence if the contract itself laid down a fixed date, and only then did the question arise as to whether that fixed date was of the essence of the contract.

Mr Waller's propositions were unsound. *Macbryde v Weekes (1856) 22 Beav 533* showed clearly that even though no fixed date was nominated, time might necessarily be of the essence in equity in the sense and to the extent that it was incumbent on the parties to use their utmost diligence. *Post Chaser [1982] 1 All ER 19* was clear authority for the same proposition.

Whether time was necessarily of the essence in the sense described in *Macbryde* and *Post Chaser* depended on the terms of the agreement as a whole, and on the nature of the subject matter to which the agreement referred.

In the agreement the provision that completion arrangements should be made "as soon as reasonably practicable" after certain conditions had been complied with, pointed strongly to time being of the essence.

Those considerations were strongly reinforced by the nature and subject matter of the contract, namely the sale of a business in the financial services sector of a kind which was prone to rapid and significant fluctuations of activity, profitability and value.

Taking all those considerations into account, it was a case where equity considered time essential having regard to the damage which would be inflicted on the opposite party by disregarding it. Time was necessarily of the essence of the agreement in the sense that it was incumbent on both parties to use their utmost diligence to complete their part of the contract. In equity B & C were at liberty to fix a time limit for completion by giving reasonable notice

The question was whether the notice of January 25 was reasonable notice.

Mr Waller contended that the notice was unreasonable since when it was given B & C knew that Quadrex was unable to obtain the necessary finance from Citibank.

It was for the buyer alone to arrange his finance by whatever means he chose, so as to place himself in a position to pay the purchase price in accordance with the terms of the contract. If his arrangements proved inadequate for the purpose, he would be in breach of contract, and must bear the responsibility. Any other rule would result in commercial chaos.

Quadrex's own difficulties in obtaining finance were not part of the relevant circumstances which might be taken into account in deciding whether the length of notice was reasonable. Equally the ability of the Marshall's directors to block the funding by Citibank could not possibly be a relevant consideration in considering reasonableness of notice, since it stemmed from Citibank's terms accepted by Quadrex in September unknown to B & C.

The circumstances were overwhelmingly in favour of the view that notice was reasonable. Time was of the essence of the agreement. Target dates of December 17 and January 6, accepted by Quadrex, had gone by. Five weeks' notice from January 25 was reasonable. Quadrex had no arguable defence on that ground and could demonstrate no arguable defence on liability.

Quadrex failed to raise any triable issue. B & C was therefore entitled to summary judgment on liability, damages to be assessed.

For B & C: Mark Waller QC, Nicholas Padfield and Dominic Dowley (Slaughter and May)

For Quadrex: Anthony Grabiner QC and Nicholas Stadlen (Herbert Smith & Co)

Rachel Davies
Barrister

TECHNOLOGY

Setting the pace in concrete research

By Hilary Barnes and Xueling Lin

A SMALL Danish company, G. M. Idorn Consult, is pioneering a much more scientific approach to concrete technology through the use of computer simulations and a type of microscopy.

The Danish consultancy, named after its founder and director, Gunnar M. Idorn, is a subsidiary of the Danish consulting engineers and planning group, Ramboell & Hannemann. Idorn has established itself as a world leader in concrete technology and is employed on a wide range of projects.

Concrete is a versatile material. Idorn uses a technique called fluorescent microscopy to control the quality of the mix, as well as to check for defects in existing structures.

Slices of concrete thinner than a human hair are examined to see how the three basic ingredients – cement, sand and aggregate (coarse stones) – sit together.

Computer simulation is used to find the optimum combination of the three ingredients. Certain combinations give greater density to the concrete and, for example, make it watertight.

This point is crucial to the Channel Tunnel, one of the projects on which Idorn has been engaged. Its research into the microstructure of the material will be used to maximise the durability of the tunnel's concrete casing, which is being constructed on the assumption that it will last for a century.

Beneath the Channel, the casing will face exposure to salt water at pressures of up to 10 atmospheres.

Water must be kept out of the concrete, where its presence would cause a reaction between the alkalis and the aggregate in the concrete, leading in the worst case to cracks in the tunnel casing. Another problem that would arise if water got in is that it would corrode the reinforcement materials.

Among Idorn's other projects is one that involves monitoring a 6 km concrete quay in north-eastern Australia. Built in the mid-1970s, the structure developed cracks within a few years of exposure to the aggressive climatic conditions of high temperatures, high humidity and salt water.

The information gathered from the monitoring will help the owners of the facility, used by the sugar industry for bulk-loading on to ships, to plan maintenance and repair and to extend the life of the quay.

Idorn's research results – into the porosity, permeability, and flowability of concrete and the use of additives – are also leading to some innovative uses of concrete.

At its Copenhagen office, the company has bowls on display which appear to be made of bone china. They are in fact made of concrete.

Idorn has developed a method which gives concrete the consistency of clay. It can be moulded and shaped in the same way as the traditional potter's material.

The advantages are that the finished product does not need firing and the raw material is cheaper than clay.

Malaria vaccine to be tested

By John Wicks

THE US authorities have approved clinical testing on humans of a synthetic vaccine against malaria.

The genetically engineered vaccine has been developed by Biocine Company, of Emeryville, California, which is a joint venture between Ciba-Geigy, the Swiss chemicals and pharmaceuticals group, and the biotechnology company, Chiron Corporation, also of Emeryville.

The vaccine is produced in yeast and uses parts of the cell wall of plasmodium vivax, the microscopic organism which is the main cause of insect-borne malaria in Asia and Latin America. Its disease preventing properties have already been demonstrated in animal tests. The trials on humans will take place at the National Health Institute at the University of Maryland.

According to the World Health Organisation, 215m people fall ill with malaria every year. As yet there is no effective vaccine available.

The route to a perfect cup of coffee

Clive Cookson examines the growing demand for "healthy" methods of decaffeination

Decaffeinated coffee is meant to help you get to sleep, but at the moment it is the only sector of the generally somnolent coffee market that is showing any life. UK sales of "decaf" rose by 30 per cent in 1987 and industry sources estimate that sales this year will increase by about 50 per cent to £70m.

Even so, British enthusiasm for decaf is running behind that in many other Western countries. Eleven per cent of the coffee sold in the UK has had the caffeine removed, compared with 20 per cent in West Germany and more than 30 per cent in Spain and the US. Brands owned by Nestlé of Switzerland and General Foods of the US dominate the decaf market in most countries.

The growing demand for decaf is driven both by evening coffee drinkers who do not want to be kept awake at night and by people searching for a "healthy lifestyle" who feel that caffeine is in some way bad for them. Market research by Nestlé shows that most decaf drinkers are middle-aged women, not yuppies trying to keep up with the latest food and drink fashions.

Coffee growers and manufacturers have somewhat ambivalent feelings about decaf, rather like those of the brewers about the boom in alcohol-free beer. They are worried over what they see as ill-founded fears about the safety of their main products, but at the same time delighted to encourage the fastest growing sector of the market.

Some retail experts believe that demand for decaf would increase even more quickly if consumers were not confused and a little concerned about the methods used to remove the caffeine. There is widespread suspicion that harmful "chemicals" are employed and that their residues may be left behind in the coffee.

Manufacturers use a wide variety of techniques, all of which remove at least 97 per cent of the caffeine originally present in the coffee. But the methods have many common features.

Commercial decaffeination is always carried out on green (unroasted) beans, because most of the characteristic coffee flavours emerge during roasting. Afterwards the decaffeinated beans are roasted and processed in the same way as ordinary beans to make instant, ground or filter coffee.

The basic decaffeination process involves first wetting or steaming the green beans to open up their cell structure. The caffeine is then removed with a solvent. Three types of solvent are in commercial use:

● Organic chemical solvents. The world's first commercial decaffeination plant, opened by Kaffee Hag in Bremen, West Germany, in 1906, used benzene, but today methylene chloride or ethyl acetate is preferred.

● Carbon dioxide. In the 1970s Hag – now part of General Foods – developed a process using hot carbon dioxide at high pressure (more than 100 atmospheres). Under these conditions the carbon dioxide is a "supercritical" fluid which behaves like both a liquid and a gas. It is a highly selective solvent, removing the caffeine without affecting the other natural chemicals which give the coffee its flavour when the beans are roasted. The caffeine is separated from the circulating carbon dioxide by absorption on extremely finely powdered carbon, known as activated carbon.

● Water. Hot water washes caffeine out of coffee beans very effectively but unfortunately, unlike the more selective organic solvents and carbon dioxide, it also dissolves out a lot of water-soluble flavour components which have to be put back into the beans later. After the green beans have been steeped in water, caffeine is removed from the solution, either using a solvent such as methylene chloride or activated carbon that has been treated to prevent it absorbing the other components. Then the caffeine-free extract is concentrated by evaporation and returned to the partially dried beans.

Until very recently, most coffee was decaffeinated with organic solvents, and methylene chloride is still used extensively in Europe. But the industry is now changing to carbon dioxide and water, under pressure from consumer advocates, particularly in the US, who say that tiny residues of solvent left behind in the beans could be a health hazard. General Foods has adopted Hag's carbon dioxide process for all its decaffeinated brands and Nestlé now uses a water extraction process.

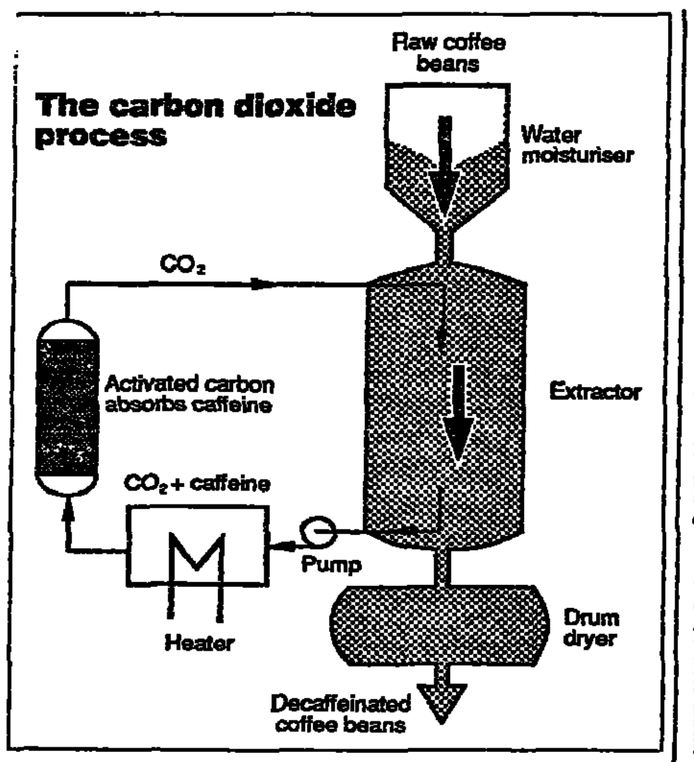
Although the US Food and Drug Administration reaffirmed its approval of methylene chloride for decaffeination in 1985, after a thorough investigation, consumer groups still believe it should be phased out. "Our view is that there might conceivably be a risk," says Melanie Miller of the London Food Commission. "Why should we take that risk when completely safe methods of decaffeination are available?"

"Even if the methylene chloride residue is so minute as to be acceptable from the health point of view, it is not acceptable from the marketing point of view," says Tony Wild, a coffee buyer and blender with Taylor's Tea and Coffee in Harrogate.

Most decaf is sold as instant coffee. But the companies selling decaf beans and ground coffee – a £9m-a-year niche market in the UK – are particularly anxious to reassure consumers that a "natural" decaffeination process has been used. The magic phrase here is the "Swiss water process"; this should refer exclusively to a water decaffeination process patented by Coffex of Switzerland but it is used more widely by coffee retailers, particularly in the US, to give their beans an image of Alpine purity.

There seems to be no agreement among coffee experts about which decaffeination process gives the best flavours and "blind tastings" have given contradictory results. "I don't think anyone has mastered the technique of preserving all the aroma and flavour of the beans," says Tony Wild. "Some of the finer flavour elements and some of the distinctions between different beans are lost in all the existing processes."

Although the manufacturers are constantly refining their techniques for removing caffeine without affecting flavour, the long-term solution may lie in biotechnology. Different varieties of coffee have different amounts of caffeine in their beans – the level is typically 1 per cent in arabica and 2 per cent in robusta coffees. It should eventually be possible by genetic engineering to produce a coffee with almost no caffeine which tastes delicious.



How caffeine affects the human body

CAFFEINE is a type of chemical, known as an alkaloid, which occurs in several kinds of plant. Biologists do not fully understand why plants such as coffee and tea make caffeine, but one theory is that it has evolved as a natural herbicide to help growing shrubs overcome competing plants.

The effects of caffeine vary. Women retain caffeine in their body for much longer when they are pregnant, whereas smokers eliminate caffeine twice as quickly as non-smokers.

The most noticeable effect is to stimulate the nervous system: people who are sensitive to caffeine will certainly sleep less well if they drink ordinary coffee before going to bed. However, the body can become habituated to caffeine and many regular coffee drinkers can take a cup or two in the evening without their sleep being disturbed.

Other physiological effects of caffeine include stimulating the production of urine and of gastric juices. And some people who are susceptible to irregular heart rhythms and palpitations find that these are triggered by caffeine.

Caffeine does not accumulate in the body, so its effects are short-lived. But it has been accused at one time or another of contributing to most of the serious health problems of the 20th century, including heart disease, cancer and birth defects.

Although a few studies have suggested a link between caffeine and disease, the International Coffee Organisation says that the bulk of scientific evidence leads to the conclusion that normal, regular consumption of caffeine does no long-term harm.

A digital solution to a changing language

EVERY WORD in the Oxford English Dictionary is being digitised. The move is an integral part of a programme to put the OED on computer.

"Traditionally printed dictionaries are inevitably imperfect and historical," says Adam Hodgkin, director of electronic publishing at Oxford University Press (OUP). "By the time they are published they are out of date."

He explains that the aim of the new electronic dictionary is to keep up with rapid changes in language. Although estimates vary, approximately 12,000 new words enter the English language every year. Some of them, such as asset-stripping, Catch-22, hacker or idiot-proof, could hardly have been imagined by the OED's original Victorian editors.

Hodgkin says that updating the dictionary also allows mistakes in the original and later supplements to be corrected. However, the scale of digitising the dictionary was vast. There are 252,000 entries, the largest of which, the verb "set", is 50,000 words long.

A special program had to be written by OUP, IBM in the UK, and the University of Waterloo in Canada, to solve the problem of combining the supplement information with the original edition. Hodgkin says that 95 per cent of the text was automatically entered by the software. The remaining 5 per cent was entered by a team of lexicographers.

The results of this labour are already available. The original OED plus the supplement information can be purchased on CD-ROM and costs £500.

The updated edition with corrections will be printed next April and should be available electronically by 1991. It is expected that the electronic dictionary will allow users to manipulate entries in novel ways. For example, dictionaries can be created which list all the words in one subject, such as aeronautics, agriculture or anatomy. A program could also be used to create regional or national dictionaries.

Paul Abrahams

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No. 005825 of 1988
CHANCERY DIVISION
IN THE MATTER OF
WILLIAMS HOLDINGS PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 15th November 1988 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company by £82,485,000.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffman at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 12th December 1988.

Any creditor or shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

DATED the 28th day of November 1988

Slaughter and May,
35, Basinghall Street,
London, EC2V 5DB.

Ref: TGF/FWN/RLH
Solicitors for the said Company

مكانه من الأصل

Derek Jacobi

Richard II

PHOENIX THEATRE

This commercial collaboration between Triumph Theatre Productions and the Kennedy Center, Washington, has been devised as a showcase for the two Richards of Derek Jacobi (Crookback follows at the Phoenix in January).

It bears all the hallmarks of very old hat Old Vic, with Bagot in a bulging cod-piece, sundry lords in black tights and medieval booties, trumpets off and a split-level black charred set that resembles a seaside jetty at wintry low tide.

But around Jacobi, director Clifford Williams has gathered a notable support cast that is stronger than you find in most RSC Shakespeare. They just all look so awful, like pages in back numbers of Theatre World.

There are no new horizons, but plenty of old Prospects, notably Robert Eddison as a definitive John of Gaunt, shaking with sorrow at his dear dear land leas'd out like to a tenement or pelting farm, and Barbara Jefford as the Duchess of York, whipping through the Aumerle conspiracy scene with toughness and high devious spirit.

Even the drab presentation improves once Carl Toms's set is invaded by walls that slide into place like blades of a guillotine, prison windows and a golden bough in the Queen's garden. But this will always be a production where dresses are caught on bottom stairs, where a gardener is played like a village idiot, and where "Belike it is the Bishop of Carlisle" fails to raise the appropriate laugh. There is slight compensation in the pace.

From the opening scenes of emphatic regality in the Coventry lists to his final acquisition of philosophic wisdom at Pomfret, Jacobi takes on Richard as of right. He finds more in the role than anyone in recent memory, quite transcending the pained scidulousness of Michael Pennington and the intemperate hauteur of Jeremy Irons. He charts the journey of a man exchanging trappings for knowledge, the visibility of a monarch for the anonymity of a slave.

The great trick Jacobi plays is to preserve the two states in a double focus. On learning that the Welsh have fled because he is reported dead, his crackling rage subsides immediately to a strongly imagined idea of corporeal transience. He remains a king but in curious absentia. These great third act speeches of transition are at the centre of his decline.

The play is on a pendulum swing as David Rintoul's powerful Buckingham takes command. But there is no contrast between a medieval kingdom and a new rule, Williams merely echoing the famous Ian Richardson/Richard Pasco symbiotic symmetry as the crown switches hands. Nor does Jacobi have anything but his voice on which to swoop down like the glistering Phaëton.

Instead, I shall remember his plea to be a mockery king of snow that summarises the self-immolating tendencies of a tear-sodden egotist. Having ritually declared his successor in a clarion call of contempt, he will melt with peevish sorrow on hearing of Bolingbroke's ride aboard his favourite roan Barbary.

A lot of silly hats and wimples obscure otherwise good work from Kathryn Pogson as the abandoned Isabel, Pete Postlethwaite as Mowbray and Exton, and Robert Swann with the Bishop of Carlisle's wonderful political apologia.

Michael Coveney

Stockhausen

QUEEN ELIZABETH HALL

As an epilogue to the Huddersfield Festival celebration of Stockhausen's 60th birthday, the composer and his performer associates came to London for two South Bank concerts. The second, on Monday, was a gentle and entirely captivating concert of Stockhausen's inimitable recent brand of chamber music — solos (*In Freundschaft* and *Xi*), a duo (*Ave*), and a trio (the Zodiac-piece *Tierkreis*). The players were Michael Svoboda (trombone), Suzanne Stephens (basset horn and clarinet), Kathinka Pasveer (flutes), and Markus Stockhausen (trumpet and piano), captured in spotlight against a row of screens. Stockhausen himself, after offering a genial spoken introduction, was as usual a controlling presence at the sound-projection board in the stalls.

All four pieces depend on the highest degree of instrumental virtuosity, on mutual responsiveness between partners far beyond that of conventional chamber-music interplay, and on movement devised by the players to "tune" their phrases to what the composer has deemed a new kind of concert ritual. Baldly described, the costumes and filigree gestures that the two wind-players essayed in *Ave* — a 1985 offshoot, like most of Stockhausen's recent music, of the mammoth seven-day cycle of operas *Licht* — could hardly avoid sounding like artefacts of the most embarrassingly pseudish, self-indulgent whimsy imaginable.

Yet the actual experience of Miss Stephens in a glamorous feathered gown and Miss Pasveer in a soldier-boy suit, the one luring the other from behind the screens to take part in ductile duet, was in every sense an enchantment from beginning to end. It has been pointed out before, but should be again, that the dramatic "scenarios" underpinning both the big Stockhausen theatre works and these little concert-hall sketches are not just peculiarly homemade in their personalized fantasy but full of genial good humour of a quintessentially German kind. The contrasts between the high technical sophistication of the players, the stylized movements, the serene lyrical euphony of the music, and the picaresque *Märchenspiel* mood of the "story" made for a very special kind of concert-hall magic.

In similar vein *In Freundschaft* (given here in a trombone-solo version of a piece originally written for Miss Stephens's clarinet) and the microtonal *Xi* for flute (a meditation on the *Licht* "super-formula") held the listener-spectator quite as fully through the presence of the player as through the presentation of the music. As finale, a trio version of the octet *Tierkreis*, a chain of 12 melodies corresponding to the 12 star-signs gave proof, if any were still needed, of the abundant, basically quite simple musicality that funds many of this composer's most outlandish-sounding conceptions.

Max Loppert

TELEVISION

Farewell to fashionable fol-de-rol

At last the inhabitants of that blind alley called "Modernism" are on the run. Blank verse, tuneless music, abstract painting and a lot of other pretentious fol-de-rol are finally going out of fashion and much of the credit must go to (of all people!) Prince Charles. His sane and determined criticism of new brutalism in architecture — sustained against all attempts to label him a philistine, ignoramus, upper class twit and old fashioned dreamer — has led to an unprecedented triumph by the public, as consumers, over that hitherto charmed, and closed, circle of opinion-formers and subsidy sharers which has had such a pernicious effect upon the arts for so long.

Last week's *Building Sights* on BBC2 made clear how far we have come. Stephen Bayley, an enthusiast for the 1950s school of shoebox architecture, tried to construct an argument in favour of leaving Alexander Fleming House at Elephant And Castle as it is. The more angles from which he showed the ghastly place, the more obvious it became that it should never have been built. Finally he told us in tones of horror that it was now proposed to drape the whole thing in anachronistic mirror glass. The drawings showing how the change would look proved that this would be such an improvement that one simply had to laugh at the poor man — and that indicates how far we have come: he was so obviously on a losing wicket that one had to feel sorry for him.

The tenth-anniversary edition of *Arena* proved that this series has not been uncontaminated by the silliness of Modernism. At its best it has produced gently mocking programmes, often devoted to style rather than Art with a capital A, which have told much about the culture of our times: the episode about the song "My Way," the sticky interview with Jean Genet, and Alexei Sayle's pursuit of the Ford Cortina are good examples.

But when it came to Joseph Beuys — the man who shared Carl André's condescending belief that the rest of us are incapable of appreciating the surface texture of underfelt in a carpet warehouse or the neat geometry of a pile of bricks on a building site, but must have them brought into galleries and pushed under our noses by more sensitive beings called "artists" — *Arena* lost all sense of its own analytical powers, abandoned its mockery, and accepted the man at his own valuation.

One of the great strengths of the *South Bank Show* is that it has never been in thrall to Modernism. There is no outright editorial line, of course, but the choice of subjects has always amounted to a fairly strong comment, and the topics in the current series will have come as no surprise to anybody who has followed the programme since 1978. There is more than enough about the film industry on television, yet Melvyn Bragg's long interview with David Puttnam on the subject was one of the most interesting for a long time.

The utterly straightforward technique with the Hockney exhibition — having the artist walk round and simply talk about his paintings — was also highly effective; and the programme two weeks ago, about Bristol Old Vic's production of "A Town In The West Country" was the sort of thing the South Bank Show has always done brilliantly well, mixing rehearsal footage with interviews and archive material. This week's programme on Raymond Chandler, using interviews, film clips and dramatised documentary with Robert Stephens as the writer, was another model of its sort.

Last night's programme *A Nuclear Living* made by Charles Stewart and Malcolm Hirst for Central's excellent ITV documentary series "Viewpoint 88," was both more and less frightening than you might expect of a programme showing life inside a nuclear power station. The sheer ordinariness of the people involved (apart from the mystifying frequency of beards) and of much of the work made it almost banal, but there were moments when the dangers seemed all too real, as when a highly radioactive broken bolt had to be retrieved from a deep tank by remote control, and when one worker had to go for a body scan to see whether he had suffered from drinking contaminated tea. The CEGB's motives in allowing Stewart and Hirst to spend four months in Oldbury are imponderable, but as a PR gesture it must surely be a winner: the unknown is invariably more frightening than the familiar.

'One of the great strengths of the South Bank Show is that it has never been in thrall to Modernism'

Everything about *Rapido*, imported from France by BBC1, was fast, from the machine-gun presentation of Antoine de Caunes to the fact that the first series has finished almost before we have had a chance to register its arrival. *Rapido* is an Anglicised version of a French rock series with that broader interest in general matters of style which is now de rigueur in so-called "youth" programmes. Its great attraction, apart from the fountain of Franglais spouted by its presenter, is that where British rock and style shows tend towards the po-faced, this one is funny and sexy. It will be interesting to see whether the producers can sustain further series at the same pace and with the same level of interest.

Alan Plater's *Beiderbecke* series brings to mind Tommy Cooper, the magician whose genius lay in the fact that although he never actually did any tricks, he was still one of the greatest entertainers around. Plater seems almost to have prefected a Cooper-like scheme in which there is, ultimately, little substance, yet the sheer *virtuosity* of the surrounding techniques keeps you enthralled. There was not much plot in *The Beiderbecke Affair* and less still in *The Beiderbecke Tapes*, moreover what there was did not matter very much.

Now with the third series, *The Beiderbecke Connection*, the plot may prove to be entirely irrelevant, or even non-existent. But who cares? The lines are wonderful: asked what was stolen from the bookshop the serene old lady says "Sexual Behaviour A to K and Tess Of The d'Urbervilles." The characterisations of Trevor, the woodwork teaching wimp, and Jill, the English-teaching Green feminist, are wickedly accurate caricatures of 1988 realities, and the scenes set in the comprehensive where they "teach" are funnier than anything in any current ITV sitcom.

It is not often that a new programme idea turns up, but *The Secret Life Of The Something Machine* (last week washing, this week sewing) on Channel 4 looks like a genuine original. The driving force is Tim Hunkin who has the passionate devotion of the true eccentric which often works so well on television. His programme formula lies half way between the technical gee-whizzery of *Tomorrow's World* and the simple (also friendly) didacticism of *Blue Peter*. If you want to explain how water pressure itself can be used to operate a valve controlling water flow, television is a very good medium for doing it: assuming you are Tim Hunkin you simply blow down the hose.

Two little scenarios, designed to make the Tories think again about their White Paper plans for ITV are currently going the rounds. In the first the big boys who want to get hold of the ITV franchises do not bother to enter the auction and risk bidding more than they need to: they just bide their time, wait until someone else gets the franchise, then mount a takeover via the stock market as another part of the Tory plan allows. So much for the difficult "programme undertaking" hurdles which prospective bidders will supposedly have to jump.

In the second scenario, the existing ITV companies wait until a little before the next General Election and then make it known that they will be withdrawing *Coronation Street*, *The Bill*, *Emmerdale Farm* and a few other top ratings items from the schedules to "save money" for the war chests necessary to bid for their licences. This disappearance will be blamed on Mrs Thatcher . . . unless plans are modified, of course, in the interim. It could make "Maggie Thatcher, milk snatcher" seem like a mild epithet.

Christopher Dunkley

Moscow Radio Symphony Orchestra

BARBICAN HALL

The "Great Orchestras of the World" series at the Barbican has cast its net wide. While only the leading couple of Soviet orchestras are really well-known here, it is unlikely that many people would see the Moscow Radio Symphony Orchestra as an obvious first choice for inclusion, and at Monday night's concert a brilliant young soloist was thrown in as bait to tempt a London audience.

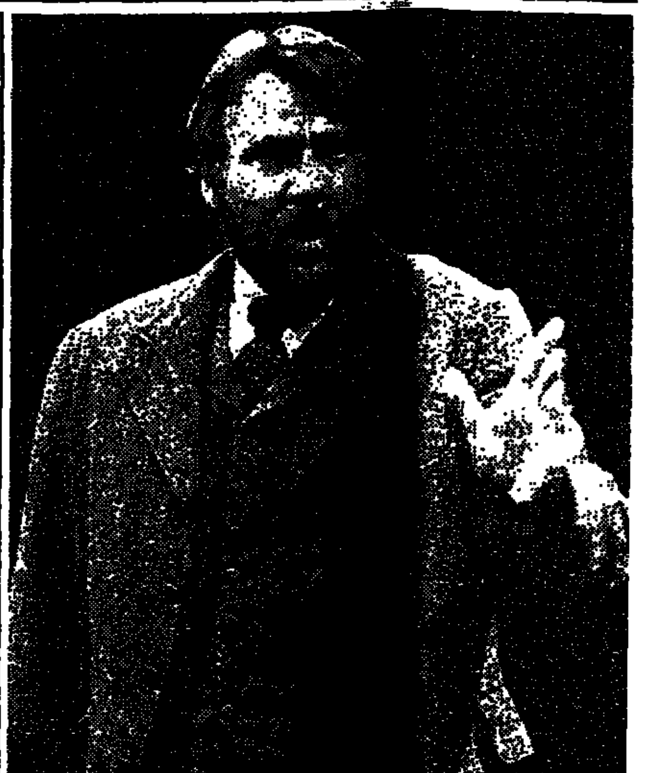
In that sense the programme was wisely planned. The Moscow orchestra has played successfully at the Barbican before, but on this occasion the acoustic seemed to have played its notorious tricks on the visitors. Woodwind timbre was dulled and heavy brass and timpani at the back of the platform assumed a cavernous resonance that left the orchestral sound as a whole with its brilliance dimmed, its wattage at less than full strength.

In the foreground, though, there blazed a solo light of complimentary brilliance. The Soviet pianist Nikolay Demidenko has played the Third Concerto by Prokofiev here before to considerable acclaim. And no wonder, for here is a technician of remarkable assurance, who has made that vital connection: ears that can hear the exact sounds they want the music to make and two sets of astonishingly steely fingers to reproduce them.

The result is at once arresting and, as often with musicians who focus on one aspect of a score, in some way incomplete: too little moderation, too little freedom in letting the music off the leash. But to see Demidenko grasp this ferocious concerto in that iron grip of his and shake it into submission, every semiquaver rattling out with the fiercest articulation, is to witness a Russian virtuoso of the most authentic kind.

It was the sort of performance the LSO or one of the top American orchestras might like to take on in their most aggressive moods. Instead, with Vladimir Fedoseyev and the Moscow players one felt other qualities to the fore. After the interval their *Pictures from an Exhibition* gave us Musorgsky in dour colours, atmospheric and convincingly idiomatic. Once Demidenko had left the platform, the voltage was definitely down.

Richard Fairman



Tom Wilkinson as Doctor Stockmann in the Young Vic's magnificent revival of Ibsen's "An Enemy of the People" which transfers tonight to the Playhouse Theatre near Charing Cross.

The tragic dilemma of a public appointee, who threatens a town's prosperity by broadcasting his discovery of pollution in the municipal baths, strikes more than a few contemporary chords. Arthur Miller's fine and loyal adaptation renders Ibsen the most vitally topical playwright in town, and David Thacker's superbly acted production crackles with humour, tension and robust argument.

M.C.

The ABSA-Daily Telegraph award winners

It was prize giving day yesterday for those companies which have imaginatively sponsored the arts in the past year. The ABSA-Daily Telegraph Award winners were: Best Corporate Programme, English Estates and Royal Bank of Scotland; Best Single Project, Balfour Beatty Developments & Edinburgh Trust, Lloyds Bank, and Royal Insurance; Best First Time Sponsor, Gordon Richards Tools (Coventry), Jamdani Restaurants, and Volkswagen; Best Youth Sponsorship, Becks Bier (Scottish & Newcastle); Best Sponsorship of Arts for the Disabled, Napp Laboratories; Best Commission of New Art in any Medium, British Airports Authority; Best Sponsorship of British Arts Overseas, Barclays Bank.

The venue award went to the Place Theatre in London for its unique portfolio fund to finance new choreography and the Goodman award, named after ABSA's retiring chairman Lord Goodman, went to Lord Rayne, retiring chairman of the National Theatre, which successfully hosted the awards ceremony.

As ever money talks, as in the prizes for Royal, which has given over £1m to the RSC over three years and the substantial Lloyds sponsorship of the Age of Chivalry show at the RA, but the award for a Bangladeshi restaurant in East London for supporting a Whitechapel Gallery textile exhibition is an indication of what can be achieved.

Antony Thorncroft

ARTS GUIDE

November 25-December 1

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
The Visit (Almeida). Outstanding revival of Dürrenmatt's macabre parable of greed and revenge in a provincial town by the inventive Théâtre de Complicité. Ends December 3 (359 4404).
Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).
Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).
Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).
Bartholomew Fair (Olivier). Successful Victorian transposition of Ben Jonson's sweaty masterpiece with ferris wheel fairground setting and much zanily eccentric acting in Richard Eyre's National Theatre company. (928 2252). Dec 3-10.
The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Dec 17-23, Jan 5-10, 19-21.
The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).
Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Amsterdam

The Footsbarn Theatre with Ballyon (Thur). Stadsschouwburg (24 23 11).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce with hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's *children's* poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge in the annual holiday production with a cast of 26, directed by Michael Maggio. Ends Dec 28 (829 4141)

Tokyo

Noh. National Noh Theatre. Taka Hime (Hawk Princess). A modern noh play based on At the Hawk's Well by W.B. Yeats who was in turn influenced by the Noh theatre. (Most other Noh theatres are open at weekends only. Check local press for details.)(423 1331) (Wed).
Kabuki. The 11am programme contains three pieces, the most accessible for non-Japanese audiences being Suo Otoshi (Dropping the Robe), which contains a famous narrative dance sequence. In the 4.30pm programme world-famous "onnagata" Tamasaburo Bando performs seven different female roles in a scene from Osome Hisamatsu. Tickets available for a single act (Enquire at theatre). Begins December 1. Kabuki-za (541 3131).

SALEROOM

A snip at £20m

Christie's was modestly pleased with its major winter auction of Impressionist and modern pictures in London on Monday night. The key painting, Picasso's "Acrobate et jeune Arlequin," performed efficiently, selling for £20.9m, comfortably above a revised estimate of £13m but rather lower than some over-excited forecasts. There must have been some anxious moments for auctioneer Charles Allsopp since the dozen or so likely bidders for the Picasso were sitting on their hands and it was left to a mysterious Japanese, advised by a European colleague, to make the final bid.

The sale totalled £55.4m, a record for an Impressionist auction in London. It was 10 per cent unsold, with a noticeable lack of interest in minor works. But all important pictures did well, with a record £3.85m for a Gauguin landscape near Arles, and another record of £3.74m for Giacometti's bronze, "L'Homme qui Marche 1." New highs were also set for Klee and Signac while Monet's "Pont du Chemin de Fer" comfortably beat its estimate at £6.8m.

Things returned to normal at Christie's yesterday when second division Impressionist and modern pictures brought in £6m, with 22 per cent unsold. Salvador Dali's health may be failing but demand for his paintings remains buoyant, with an early surrealist work of 1934, "Le sentiment de la vitesse," more than doubling its estimate at £214,500 to a Geneva dealer. The London trade secured a Rouault Milan-shroud type image, "La Sainte Face," for £176,000 while another Geneva dealer paid £154,000 twice over, for another Rouault head of Christ and for a small Matisse landscape.

A major disappointment was the failure of eight of the twelve Henry Moore watercolours and drawings sold by the Trustees of Lord Walston's Family Trust to find buyers. One that did sell, "Studies for Three Standing Figures," executed in 1948, was below estimate at £49,500 while "Pandora and Imprisoned Statues" was also at the bottom of its forecast, making £35,300.

Among the Old Master prints at Christie's a 1655 Rembrandt etching with drypoint of Abraham's Sacrifice did well at £24,200, in a morning session which brought in £293,667 with 15 per cent unsold.

Phillips had its best ever furniture auction with a total of almost £800,000 and a top price of £50,600 from the Pelham Galleries for a Louis XV kingwood bureau plat stamped Dubois.

Antony Thorncroft

Japanese buyer: see Observer column, p.34

FINA[illegible]CIAL TIMES
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We[illegible]day November 30 1988

End [illegible]f the hone[illegible]moon

THE LONG[illegible] honeymoon [illegible]litical Mrs Margaret T[illegible] with election victory [illegible]'s third ending. The [illegible] 1987 is about quite [illegible] come few weeks ago [illegible] Until a servative Gov[illegible]'s Con- every appearance [illegible] gave fortunate and [illegible] both not seem to [illegible] it did Confidence in [illegible] wrong. soared to [illegible]bilities heights, at home [illegible]dented within the [illegible]es and ernment itself [illegible]e Gov-

Its record [illegible]ingly effortless succ[illegible]liament was matched on[illegible] Oppo- sition's disarray [illegible]e quan- tity of important [illegible] legisla- tion was put th[illegible] without serious difficul[illegible]pite of one or two cl[illegible]tes. In March the Chan[illegible] of the Exchequer, Mr [illegible]awson, presented one of [illegible]st radi- cal Budgets of th[illegible]war era. Despite some re[illegible]ions, it was widely appl[illegible]

Today the [illegible]nent is less certain of [illegible]its sup- porters in the H[illegible] of Com- mons are ru[illegible] Within Britain, confide[illegible]s been slightly shaken[illegible] were less certain th[illegible] that whatever is [illegible]ed will turn out to have [illegible]ght. In short, the jury is [illegible] The per- formance of M[illegible]tcher's Chancellor is und[illegible]e scru- tiny. There is [illegible]ystery about the reason[illegible]this. Mr Lawson's March [illegible]ment is now regarded a[illegible]staken. Everyone has th[illegible]efit of hindsight, but if [illegible]e Chan- cellor who suffer[illegible] it.

Shouldering b[illegible]

As he himsel[illegible]ined in the House of C[illegible] yester- day, his reactio[illegible] stock market crash of [illegible]ber 1987 was to regard th[illegible] for poli- cies that would [illegible] a reces- sion as of great[illegible]mediate moment than a[illegible]ault on inflation. Mr La[illegible] was by no means alone i[illegible] mispre- ception, but, as C[illegible]ellor, he naturally has to [illegible]der the blame for the con[illegible]nces.

The policies [illegible]as now adopted are righ[illegible] the cir- cumstances. It w[illegible]e wrong now to change cours[illegible] would quite rightly be [illegible] by the markets as a sign [illegible]nic. Left to itself, the prescription of high interest rates should eventually cool the economy and exert downward pressure on inflation.

Given time, current economic problems are soluble, as the Chancellor indicated yesterday. The immediate difficulty lies on the political side of the equation. Mr Lawson's dogged performance in the Commons yesterday was not particularly skilful by political standards. There were times when he seemed to have lost the attention of many on his own back-benches. He gave a hostage to fortune when he sought to disentangle the rate of mortgage interest from the retail price index. This may make statistical sense, but the timing is poor. In present circumstances it could easily be portrayed as political special pleading.

Enhanced reputation

Mr Lawson's Labour opponent, Mr Gordon Brown, made the most of a less difficult task. He attacked the Government with rumbustious verve and, on occasion, earned the silence of the whole House. The Chancellor's reputation was the same when he sat down as it had been when he stood up, but Dr Brown's was undoubtedly enhanced.

None of this will matter if the right figures start to appear in time. In a perfect world the economic and political cycles would move in harmony. In the real world the likelihood is that they will not. The political pressures will build up as a result of the present uncertainty. There could be a particularly bad effect on wage bargaining, which the Government itself will have to resist in the public sector.

The danger is that a vicious circle of a kind that is all too familiar in British economic history may emerge. For when so much depends upon the maintenance of a high level of confidence, the erosion of confidence can be immeasurably damaging. Mr Lawson's own reputation has been dented by the events of the past few weeks. What the Government now needs above all is a steady nerve and a smattering of good news.

Rea[illegible]nomics warn[illegible]d over

THE MOST strik[illegible]ature of the noises comin[illegible] Wash- ington, notably fr[illegible] Mr Nicho- las Brady, the Tr[illegible] Secre- tary, is their hi[illegible]al echo. What we have is [illegible]run, this time as farce, of [illegible]ening of the Reagan era in [illegible]1. Then, too, the federal [illegible]get was projected to balan[illegible] at some notional time in [illegible] distant future. Then, too, [illegible] eco- nomic growth, co[illegible] with tight control over [illegible]c expen- diture, was suppo[illegible] to bring about the desired [illegible]it. It did not work out then [illegible] it is very unlikely to do so now.

Mr Beryl Sprink[illegible]chairman of the outgoing C[illegible] of Eco- nomic advisers, [illegible] forecast economic growth [illegible] above 3 per cent a year [illegible] the mid- 1990s. Most indep[illegible]nt schol- ars do, however, [illegible]rd the sustainable potent[illegible] growth rate of the US eco[illegible] at only 2½ per cent a y[illegible] Further- more, there is little [illegible]bt that the US economy is [illegible] close to full capacity. Mr [illegible]rinkel's forecast could tur[illegible]out to be right, but it is not one on which to bet the housekeeping money.

More recently, Mr Brady has just reiterated Mr Bush's reso- lute opposition to all forms of tax increase (including higher indirect taxes). Mr Bush's determination to stand firm on taxes represents a triumph for what he himself once labelled "voodoo economics". Yet the justifications for the initial Reagan programme were immeasurably stronger than those for a refusal to consider tax increases today.

Ambitious programme

When Mr Reagan became President he had an ambitious programme of economic reform to put into effect. Thanks to the monetary squeeze of Mr Paul Volcker, then chairman of the Federal Reserve, he was also presiding over an economy going into deep recession. In that context, a large budget deficit was perfectly defensible.

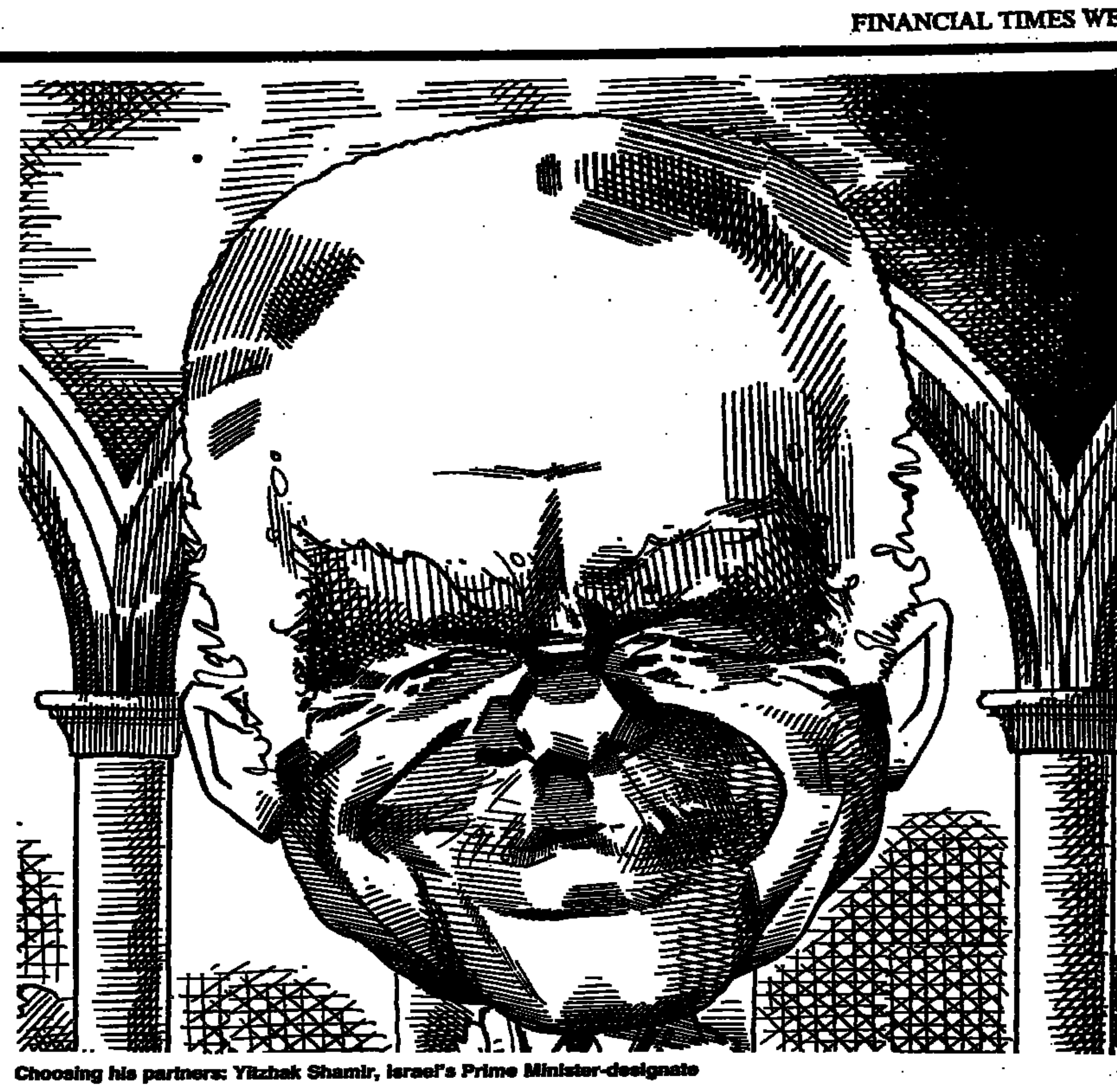
Things are quite different today. Mr Bush has no programme that can be discerned. Moreover, the economy has experienced six years of expansion and unemployment is low, while the underlying rate of inflation (as measured by the gross national product defla- tor) has been rising ominously towards around 5 per cent a year.

What is most depressing about the risks being run is that they are so unnecessary. As the International Monetary Fund points out in the World Economic Outlook of October 1988, there has been a marked improvement in the economic performance of industrial countries in the 1980s as against the 1970s. The current global expansion is not merely the longest since the Second World War, but is far less inflationary than the two that occurred in the 1970s. Given the good fortune, from the industrial country point of view, of weak commodity prices, there is no obvious reason why this expansion should not go on and on.

Renewed inflation

In practice, this is most unlikely, largely because of the concern about renewed inflation that has led to tightening of monetary policy worldwide since the spring. For the US the latest stage of the process was seen on Monday when the prime rate, 9.5 per cent earlier in 1988, was raised to 10.5 per cent. Mr Alan Greenspan, the Fed chairman, prides himself on his abilities as a navigator in uncharted waters. He will need all his skill if he is to avoid both the Scylla of higher inflation and the Charybdis of recession.

With the right fiscal policy, however, such dexterity would not be needed, as Mr Greenspan himself made clear only recently. Now is the time for the rest of the Group of Seven to show a little boldness. Given the rapid growth of Japan and Western Europe this year, these countries can afford to be quite relaxed about weakness of the dollar. Certainly, dollar depreciation is more dangerous for the US itself than for the rest of the world. So the G-7 should make it quite clear that there will be no major dollar support operations without a fully credible programme of fiscal adjustment in the US. A repeat of Reaganomics Mark 1 is precisely what the world does not need. So it is up to the leaders of the other major countries to help save Mr Bush from himself.



Choosing his partners: Yitzhak Shamir, Israel's Prime Minister-designate

Where none of the options are easy

Andrew Whitley looks at the difficulties facing Israel as its leaders struggle to agree on a new coalition

Four weeks after another inconclusive general election – its second since 1981 – Israel has little to be satisfied about, either with itself or the state of the outside world. It is hard to say whether the internal or the external picture is the gloomier, but there are deep anxieties about the future.

Public discontent over the outcome of the elections, as well as over the operation of the political system – an extreme form of proportional representation – is widespread. Meanwhile, the Palestinian uprising in the occupied territories is approaching its first anniversary next week with no hint of an end in sight. This is in spite of 330 Palestinian dead, thousands of injured and more than 5,000 people detained, most of them without trial.

Against this background, the domestic economy, faltering after two years of relative prosperity, is in urgent need of overhaul. Whichever parties come together to form a new coalition government, they will find that the goal of resuming economic growth may have to give way to tackling graver structural problems threatening substantial parts of industry and agriculture.

The current crisis at Koor Industries, the largest industrial conglomerate in the Middle East, seems small in comparison with the less publicised financial difficulties of Israel's principal rural grouping, the United Kibbutz Movement, which owes local banks an estimated $3bn (£1.6bn).

Abroad, the election in the US of Vice-President George Bush to the White House presages unwelcome pressure in the months to come over the Middle East peace process. For Israel this would involve making choices which the Israeli public appears, on the evidence of the election results, unready to face.

Earlier this month, in Algiers, the Palestinians stole a diplomatic march on the Jewish state by implicitly recognising Israel and simultaneously proclaiming an independent state of their own. Lacking the first requirement of a state – defined borders – the Palestine Liberation Organisation has, nevertheless, already won the recognition of over 50 countries for its entity.

Egypt's formal recognition was a particularly bad blow for the diplomatic counter-offensive mounted by the Israeli Foreign Ministry, further eclipsing the Camp David accords the two countries signed in 1978.

Thus Israel's foreign policy options have been dramatically narrowed. What some thoughtful Israelis are pointing out, however, is that in the lengthy process of reaching its decisions – however qualified they might be – the PLO was able to convey a convincing appearance of internal democracy in action. The contrast with Israel's present muddled condition is hardly flattering to the one country in the region which prides itself on its democratic credentials.

For all the strength of the public taboo on the subject, in private more and more Israelis are becoming convinced that one day they will have to deal directly with "the terrorists", rather than fudge the issue by making overtures to King Hussein of Jordan. The King helped this argument forward on July 31, when he announced a divorce between the two banks of the Jordan river by severing the West Bank's legal and administrative links with the Hashemite kingdom.

But the prospect of the PLO finding a place on the Israeli political chessboard is, if anything, more remote than ever after the recent elections. On this Mr Yitzhak Shamir, Israel's caretaker Prime Minister, and the entire right-wing are adamant. The relative decline of the two major political blocs, Labour and Mr Shamir's Likud, at the elections, together with the unexpected surge in support for the religious parties, has complicated the always protracted task of putting together a coalition government. Asked on November 14 by President Chaim Herzog to try to muster a workable parliamentary majority, Mr Shamir, has found pitfalls wherever he turned.

By allying himself with the ultra-Orthodox group, which is demanding changes in religious legislation which would effectively relegate the more liberal Reform and Conservative branches of Judaism to second-class status, Mr Shamir risked a painful rift with Jews outside the country. Rumblings from the US, the source of Israel's main political and financial support, have grown steadily louder as delegation after delegation has arrived in Jerusalem to express vehement opposition.

Almost out of nowhere, the "Who is a Jew?" brainteaser – for years the subject of ritual parliamentary battles over individual claims to membership of the Jewish faith and people – has emerged at the centre of the debate.

The issue is of far greater concern to foreign Jews than to Israelis, the majority of whom take their religion lightly. Of much greater current concern to native-born Israelis, especially those of Ashkenazi (European) origin, is the threat to the character of the state they see as coming from the rabbis.

The flight of middle class Israelis from pious, sober Jerusalem to the bright lights of Tel Aviv and the coastal plain could soon become a flood. Watching the ultra-Orthodox communities flexing their new political muscle for the second time in a decade – the first was in 1977, when the Likud brought the Sephardi (Oriental) Jews in from the political cold – the Ashkenazi establishment is querulously demanding: "Whose country is this anyway?"

For their ancestors were the original pioneers, farming the land and fighting the Arabs. Now others, who do not share the original vision and values, appear to them to be taking over, shaping the state in a very different image.

Few in the Likud have much liking for the messianic nationalism seeping into the contemporary political debate through the religious parties. But an alliance with Likud's more natural political partners on the secular right also involves an area of explosive international issues.

At the top of the right's agenda is a new settlement drive in the West Bank and Gaza Strip, which would inevitably put Israel on a collision course with the US.

Insisting, "we have the right to live anywhere in this country," Mr Shamir recently pointed out that, in reality, settlement activity barely slowed under the former national unity government, despite its explicit limitation. So, why the fuss over its resumption, he implicitly asked.

Paradoxical though it may seem after the frequent coalition crises of the past four years, of all the combinations of political groupings available to the Likud leader, his strong preference is for another broad coalition with the centre-left Labour Alignment, excluding the extreme right and part, at least, of the religious bloc.

By embracing, say, one or two of the four religious parties, Mr Shamir can reasonably hope to reduce their demands and at the same time demonstrate that he is a man of his word, prepared to live with promises given in his coalition negotiations.

After a decisive meeting on Monday night with his main rival, Mr Shimon Peres, the Labour leader, the outlines of a new government little different from its predecessor have been sketched in. The main difference this time, according to Mr Shamir, is that Labour will have to abandon its plan for an international peace conference and accept a marginally subordinate role. There will be no "rotation" of the prime ministership, but the government's policy guidelines are expected to be unchanged from those drawn up in 1984.

Although such a government might be a recipe for continued stalemate, Likud politicians calculate that that would be better than allowing Mr Shamir to face alone an expected wave of external pressures in the coming months. At the same time, it would free the Likud from its bondage to extremist parties whose views alienate the majority of voters and Israel's supporters abroad.

The real difficulty for the Prime Minister has been what to do with Mr Peres – the archetypal hare to Mr Shamir's tortoise. Personal relations between the two men deteriorated to such an extent during the last government that it is hard to envisage them co-operating again in the same Cabinet.

Whether Labour, now in considerable disarray after a string of recent setbacks, is prepared to accept its ideological opponent's plans is still in the balance. Its large left-wing component, led by Mr Uzi Bar-Am, the party secretary-general, and Mr Ezer Weizman, a former Defence Minister, is openly campaigning to stay out of government and leave the Likud to stew in its own juice.

The party's 100-strong executive committee is likely to meet today to consider the expected recommendation of Mr Peres and Mr Yitzhak Rabin, the caretaker Defence Minister, that Labour's own interests and those of the nation dictate the formation of another national unity government.

Such a recommendation will be full of irony for those who recall how hard Mr Peres tried over the past two years to break up the old coalition and force fresh elections. But, looking haggard after his futile recent efforts to persuade Israelis to share his vision for peace with the Arabs, Labour's leader of the past 11 years has little choice.

By joining Mr Rabin, a consistent advocate of teaming up again with Likud, Mr Peres knows he risks splitting the party. But, if he leads Labour back into opposition, an internal post-mortem leading to Mr Peres's own deposition could not be long delayed. With no obvious successor groomed, the likelihood is that Israel's historic party of government, currently at one of its lowest ever ebbs, would turn once again to Mr Rabin – the party leader up to 1977 – as a stop-gap.

The caretaker Defence Minister, well aware of his high popularity rating with the public at large, has been positioning himself for the call. The policies he espouses – a far-reaching reform of the labour-owned economy ("no longer an electoral asset"), the abandonment of Labour's long-standing love affair with King Hussein, scepticism over the practicability of electoral reform in the near future – are all rooted in a strong sense of practical politics, a sense which sets him apart from Mr Peres.

"The public in Israel either doesn't believe or buy our (Labour's) arguments," he has said.

Israel appears to be groping towards one of its periodic shake-ups, a reassessment of its institutions and priorities. The task is made more difficult than in other immigrant societies by the sharply contrasting visions of the country's various founding streams.

Faced with pressures from abroad to open up to foreign competition and meet national development goals, the primary aim of such historic bodies as Hevrat Ha'Ovdim, the Histradut (labour federation) owned conglomerate responsible for nearly a quarter of gross national product, is simply to survive.

One plausible interpretation of the election results is that they marked a collective turning of backs on the fires burning next door, in the West Bank and Gaza Strip. Most ordinary Israelis would rather not have to face the terrible consequences their politicians have been speaking about for so long if the problem of the occupation is not "solved".

They would rather get on with living a normal life, like people everywhere. But the pressures on the country, both internal and external, are such that the option of putting off painful decisions is no longer available.

So like the Tories

■ Everyone was on parade yesterday in the Supreme Soviet for the big debate on changing the constitution, and the loneliest figure seemed to be Yegor Ligachev.

The man who has long been seen as an uncomfortable number two for Mikhail Gorbachev – austere, puritan, and decidedly less enthusiastic about glasnost – has taken to sitting with an empty seat between him and his colleagues. He is still in the same row as Gorbachev, but at a distinct distance. Yesterday he had an empty seat not only on his left, but on his right – in a Grand Kremlin Palace where elsewhere there was standing room only.

Kremlin-watchers are a frustrated breed in these days of greater openness, but they still read the entrails and are baffled by the message. Is it a deliberate distancing by Ligachev, not wishing to be tainted with excessive enthusiasm for the pace of reform, or has he been pushed?

My own theory, confirmed by some Russians, is that they are rather like Margaret Thatcher and Edward Heath. They have a great deal in common, but simply can't stand each other. Still, in the old days, the two used to chat away on big occasions. Yesterday Gorbachev's small talk was reserved for Nikolai Ryzhkov, his Prime Minister, who was by his side.

The other sorry-looking figure in the auditorium was Ligachev's old rival, now demoted – Boris Yeltsin, one-time party chief in Moscow. He was skulking right at the back in the far left-hand corner of the chamber, to which his present status as a deputy minister of construction has relegated him. One could find some British parallels there as well.

OBSERVER

BL United

■ While paying warm tribute to his predecessor, Sir Michael Edwardes, the incoming chairman, Ray Horrocks, said yesterday that divisional chief executive Harold Musgrove will join the group Board on January 1. But it wasn't British Leyland; it was the Chloride Group.

Horrocks, the former BL Cars chairman, has followed in the footsteps of Edwardes, the former BL chairman, to become group chairman of Chloride. Musgrove, the former Austin Rover chairman, will join the battery group's Board in January. He has been running the industrial batteries division for some months, after having been recruited initially as a consultant by his old boss, Edwardes.

To complete this merry BL Old Boys picture, who should have fielded questions on Chloride's interim results yesterday but Peter Regnier. Regnier was Musgrove's finance director at Austin Rover.

The traffic has not been all one way. Chloride's former finance director, David Hankinson, paved the way for Regnier to move in last year by becoming, temporarily at least, finance director of what is now Rover. Edwardes had 37 years with Chloride and is now chairman of Minorco; there is no confirmation that Horrocks will follow him there.

Another Trump

■ Ivana Trump, wife of Donald, was in London yesterday talking about what she and her husband intend to do with The Plaza, New York. Donald Trump bought The Plaza for $390m earlier this year – the highest price ever paid for a hotel. Ivana has become the President.

She brought with her the executive chef, Alain Sailhac, to show what can be done. It is only a personal comment by Observer that Noisette of Texas Roebuch Deer with hearts of artichoke, chestnut purée and pumpkin polenta is pretentious and not worth the effort. The Trumps are strong on publicity.

Ivana was born in Czechoslovakia, like the great American tennis players. She took a degree in physical education at Charles University in Prague and was a reserve for the Czech Olympic ski team in 1972. She then emigrated to Canada and became a fashion model.

She prides herself on being European. In the hotel business, she says, the Americans are interested only in the bottom line. "It takes the Europeans to introduce the concept of service – people who can sew on a button." She appears to be apolitical. "I was very happy under a communistic system; I am very happy under a capitalistic one." The lunch took place in what for years was the Belfry Club, a restaurant in an old church just off Belgrave Square much frequented by diplomats. It is now called Mossiman's after the chef of that name who left the Dorchester. Not all the changes in the last few years have been for the better.

"And this is from his 'destined to be sold to the Japanese' period."

Hanging matter

■ After decking its windows with festive finery, Mitsukoshi, the Japanese luxury department store, has set Tokyo alight with a real Christmas mystery story. Who is the customer for whom Mitsukoshi bought the Picasso for £21.9m on Monday?

Mitsukoshi says it did not buy the painting, Acrobat and the Young Harlequin, on its own account, but on behalf of an un-named client. It will not divulge a name.

The betting in Tokyo is that the buyer is probably a company rather than a private individual. In that case, the truth will come out as soon as the painting is hung on a boardroom wall. But the purchaser may bide his time. When Yasuda Fire and Marine bought Van Gogh's Sunflowers for £22.5m last year, it was roundly criticised by the Japanese Ministry of Finance for flaunting its wealth. "Insurance companies should manage insurance funds, not buy expensive art," Yasuda was told. So whoever is getting a Picasso for Christmas has good reasons for keeping quiet about it.

With knobs on

■ Sofitel, the French hotel group, is preparing for the challenges of 1992. A note on the bill that comes with room service reads: *"Afin d'éviter toute erreur de notre part, nous vous remercions d'avoir l'amabilité de bien vouloir signer votre commande."* It provides this English translation: "In order to avoid any mistake, would you be so kind as to sign the present door-knob."

Maggie Urry reports on the outlook for UK retailers if consumer spending slows

Hard times on the high street

"TEN PER CENT off all microwaves – today only" proclaimed a hand-written sign in the window of a branch of Dixons, the electrical goods retailer. Similar promotions can be seen up and down British high streets and advertised in the press. But why is this happening in the run-up to Christmas, the one time of year when shoppers can be guaranteed to spend, and the period when many retailers make half their annual profits?

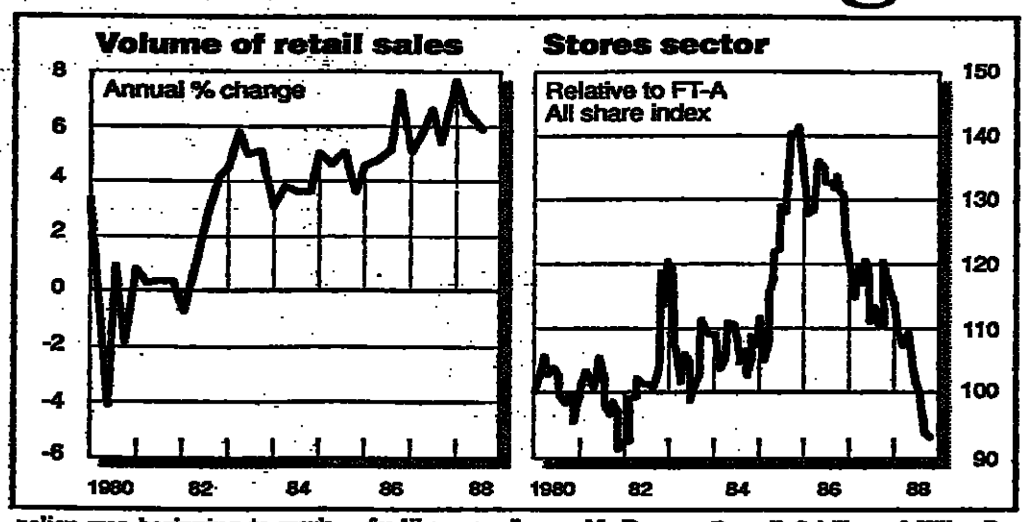
"We would not be doing it if sales were booming," says one director of a major group. The slashing of prices follows a disappointing interim results season from stores groups.

The stock market has been predicting a difficult future for retailers for some time. Since the end of 1985 the sector has consistently underperformed the market. "It's a tough time in retailing," became an almost standard wail from stores' chief executives as they revealed their latest figures during the autumn. Sir Ralph Halpern, chairman of Burton, for example, said on publishing full-year figures for his company that "retailing has changed dramatically over the last six months" and that 1989 would be even tougher.

Retailers put the blame on the Chancellor. His determination to slow the consumer boom, as a way of constraining inflation and rectifying the balance of payments deficit, hits retailers first and hardest. Retailers say higher interest rates are persuading consumers to think again before spending money – especially on major items like furniture and electrical goods.

Mr Geoff Davy, chief executive of BhS, part of the Storehouse group, argues that in a time of uncertainty "there is a period when people take stock, adjust to it, and then adopt a new level of demand." We are now in that period, he suggests.

However, this apparent slowdown does not seem to be showing up in the official retail sales statistics. October's provisional figure showed a 1.9 per cent volume rise over September. Nor is it evident in the trade figures, where sharply rising imports of consumer goods have contributed to the deficit. There may be an element of scaremongering by the retailers – trying to demonstrate that the Chancellor's policy was beginning to work and thus averting yet higher interest rates. The one-percentage point rise in base rates last Friday, following dismal trade figures, was bad news for retailers. Fearing more of the same, they are bound to argue that they are doing worse than they are. Some are also warning their staff that wage increases will have to be kept under control, their suppliers that they too must share the pain, and their landlords that rental increases cannot continue apace.



If profits growth slackens, retailers will largely have themselves to blame. Retail sales have been showing strong rises, above the rate of inflation, for some years, with 1987 and 1988 seeing volume growth of 5 or 6 per cent. Stores groups have been eager to increase their share of this fast expanding market, concerned that as the UK retail industry nears maturity – Britain has a well developed retail industry and a near static population – each must ensure it has a strong position in the market.

Forecasters believe that the government's aim is not to cause a decline in retail sales volume, merely to moderate its growth to, say 2 per cent a year in total, although with variations between different sectors. In the past that would have seemed a reasonable increase for all the retailers to share.

But the stores have become accustomed to the good times. "We've seen substantial year-on-year volume growth in like-for-like space," says Mr Davy, "it doesn't take long to get used to it."

Retailers have been able to increase the volume of sales through their existing (like-for-like) stores and win extra market share by opening new ones. They have been able to push up their gross and net profit margins. Store refurbishments have rapidly paid off. Many stores, ever optimistic, are now geared to higher levels of volume growth than the 2 per cent projection.

The seriousness of higher interest rates is that they come at a time when the consequences of this too rapid expansion are beginning to bite anyway. "Retail sales growth is set to slow at a time when retail profits are already under pressure," warns Mr John Richards of brokers County NatWest WoodMac.

'Retail sales growth is set to slow at a time when retail profits are already under pressure'

The pressure comes partly from rising costs. It is a simple equation. If the rise in retailers' sales is less fast than the increase in costs, margins must fall. And competitive action has been and will keep shop price inflation lower than shops' cost inflation.

The pressure from higher property costs are well-known. Retail rents have been pushed up by the rush to expand. Mr Russell Schiller, of Hillier Parker, reports that retailers are still making bullish noises about their demand for space, saying that even if there is a downturn they will continue to expand. "They all say the other chap could have problems, but not us," he says.

Even if rent increases were to stop now retailers would find their rent bill continuing to rise because of the five-year rental reviews fixed in most leases. On top of that the new rating system, which comes into effect in 1990, will hit retailers hard.

Another problem is connected with retailers' operational gearing. Many still plan to increase their sales area at a faster rate than the projected 2 per cent volume growth – meaning that volume in existing space is destined to fall.

This could have a adverse effect on margins. Shops do very well when volume in existing or "like-for-like" space is rising – which is why Christmastime is so profitable.

The cost of selling 101 shirts in a shop which was built and staffed to sell 100 is barely more than the cost of buying in the extra shirt. Thus the gross margin on the extra volume becomes the net margin.

The crunch comes when it happens in reverse. If volumes fall, margins can be eroded rapidly. This explains the retailers' anxiety to get people into the shops with price-cutting promotions. That plan backfired somewhat in the summer when many of the clothing groups, which have been suffering most, started their sales early in desperation only to find the weather improving. Those who had kept their nerve and held sales late did far better.

BhS recently offered London shoppers a voucher worth £2 off purchases over £20 and £4 when £40 or more was spent. Mr Davy argues that since the average transaction value in BhS is less than £20, the extra volume gained by encouraging bigger purchases more than offsets the £2 knocked off.

But would the extra sales have come anyway, given that Christmas is coming and the weather lately has been ideal for retailers? "That's the $64,000 question," replies Mr Davy.

Not all the stores are suffering. Boots, the industrial and retail chemist, announced last week a one-third increase in trading profits for its Boots The Chemist chain. Mr Robert Gunn, Boots' chairman, said: "Christmas trading started three weeks ago, and we are very pleased with what is happening so far." No wide-ranging price promotions are evident there.

Mr Keith Ackroyd, managing director of Boots' retail division, argues that other retailers have been "laying up problems for themselves in rent and rates," by their rapid expansion. Boots, he says, expanded fast in the 1970s only to discover their profits slipping. Since 1982 the sales area has been held fairly static.

There will undoubtedly be losers in retailing in the next few years. Many were able to carry on quite cheerfully when sales were booming but lack the management controls to cope when they have to fight for every scrap of volume.

Among the winners will be those whose property portfolios have a good proportion of freehold or long leasehold stores – such as Marks and Spencer and Boots – rather than the ones which have sold off their freeholds to pay for yet more expansion.

A sorting out process will be welcome in the City where analysts have become frustrated with a sector in which virtually every share underperforms the market regardless of merit, unless it is the subject of a bid rumour. But there may well be an increase in speculative activity once the poorer performers reveal themselves through declining profits.

Latin American debt

The lessons from Chile and Peru

By Peter Hakim and Richard Feinberg

The 1982 debt crisis reversed three decades of economic growth in Latin America and pushed nearly every economy in the region into a tailspin. No two countries were hit harder than neighbouring Chile and Peru – and no two countries have dealt with the crisis more differently.

Chile became Latin America's model debtor. Since 1982, Chile has fully serviced its international obligations. It has negotiated successive economic programmes with the IMF and World Bank and stuck to them.

Peru chose a different path. It has virtually severed its relations with the international financial community by unilaterally capping debt payments to commercial banks and rejecting IMF and World Bank policy prescriptions.

The results? Peru's economy is collapsing. Its reserves are depleted and it has almost no access to external credit. The country's inflation is at record levels; unemployment is widespread and rising; and investment has dried up.

In contrast, Chile's macroeconomy may be performing better than any other in Latin America. It has enjoyed solid growth for the past three years and appears capable now of sustaining that growth. Inflation is low, exports are booming and employment is expanding. Investment is increasing and few Latin American countries have had more success in obtaining new credits.

It is easy to extract the wrong lessons from this comparison. One is tempted to draw the conclusion that Latin America's heavily-indebted countries can revive their economies even as they service their debts if, like Chile, they adopt "correct" market-oriented policies. The fact is, however, that the course pursued by Chile is not an option for the region's other major debtors – Argentina, Brazil, Mexico, Venezuela or Peru.

These countries are ruled by civilians who must confront the give and take of democratic politics. It is hardly surprising that they have been unable to sustain the extreme austerity measures imposed by Chile on its population. In Chile, after all, economic policy is implemented by fiat. There is no wrangling with labour unions and business, and no need to gain congressional assent.

The Chilean government succeeded in controlling its budget deficit and restoring growth even as it was transferring huge sums abroad. These accomplishments, however, carried a high price in drastic wage reductions, high unemployment, many bankruptcies and deep cuts in social spending. Few civilian governments could maintain such policies for so prolonged a period.

It would also be wrong to conclude that debtor countries have nothing to gain from suspending debt payments. Peru's debt payments suspension provided the country with more resources than it could otherwise have obtained. But it squandered those resources in pursuing the politically popular but economically disastrous course of rapid economic expansion. In 1986 and 1987, Peru enjoyed the highest growth rates in all of Latin America. Now it is paying the bill. By allowing wages, imports and public spending to rise beyond sustainable levels, the country ended up with a huge fiscal deficit, no foreign reserves and uncontrollable inflationary pressures.

Peru's economic undoing was not its suspension of debt payments; rather, it was the government's failure to put the resources thus obtained to productive use. Therein lies the most important lesson: sound economic policies are essential for recovery in Latin America.

Governments must trim fiscal deficits that lead to high inflation and divert resources from private investment. They must allow markets to determine most prices, eliminate subsidies to inefficient enterprises and set realistic exchange rates. Chile has shown the value of adhering to such policies. Peru demonstrated the consequences of failing to do so.

Fundamental economic reform will always face political opposition and will cause hardships. But with access to sufficient resources, countries can take measures to moderate the shocks. More importantly, economic reform programmes with adequate financial backing can produce quicker and more substantial results, blunting political resistance.

A significant reduction in Latin America's annual $30bn net resource transfer – the excess of repayments and interest over new loans – is essential if the region is to have access to the capital it needs to sustain economic reform and resume growth. Since 1982, Latin America has not been able to attract adequate levels of external financing. Now, a reduction in debt service looms as the only realistic source of necessary capital for the region.

Nations that gain a reduction in debt service can, however, dissipate the retained capital, as Peru did. That is why debt relief must be accomplished in an orderly fashion – through negotiations between creditors and debtors. For countries without access to new capital, debt service reduction is urgently needed, but it makes sense only if the beneficiary countries are committed to adopt adjustment policies that will make their economies more efficient, help restore business confidence and contribute to long-term growth.

Neither Chile nor Peru provide an adequate economic model for Latin America. Most countries have rejected both approaches – the Chilean, because it is politically untenable for fragile democracies; the Peruvian, because it is economically disastrous. The region needs a third approach: sound economic policies combined with relief from crushing debt payments. This is the only way Latin America's debtors can achieve recovery and maintain political stability.

The authors are, respectively, staff director of Inter-American Dialogue, a private group of North and South American leaders, and Vice President of the US Overseas Development Council

LETTERS

House prices add to inflation risk

From Mr John Muellbauer.

Sir, Samuel Brittan concluded, in his Economic Viewpoint (November 3) on the explanation of current inflation:

" . . .the main error was in not embarking on the policy of pegging sterling much earlier when the pound was above DM 3.5 and sustaining it for longer".

This is way off-beam. Since I had a hand in persuading him – in the autumn of 1986 – that sterling should be targeted in the range DM 2.8-3, my disagreement is perhaps only to be expected. I argued (FT article, August 13 1986) that, given this target, no fiscal stimulus should be undertaken, thus disagreeing with the chorus of voices from what Mr Brittan calls the "economic establishment" calling for such a stimulus.

I correctly foresaw that once the £ stabilised, interest rates would fall substantially; and so that with the improved level of competitiveness the economy would grow strongly. Given asset sales in 1987, both the 1987 and 1988 budgets were excessively expansionary, particularly in their bias towards consumption.

More fundamentally, the house price boom (the inflationary and balance of payments consequences of which I began to warn about: FT, October 23 1986, December 23 1986) was allowed to continue unchecked for far too long. Instead of being tackled by long overdue tax reforms, the announcement that domestic rates would be abolished, to be replaced by the poll tax, fuelled the boom further.

In his 1988 Mansion House speech, Mr Lawson, the Chancellor, accepted that the house price boom has to bear part of the blame for the decline in the UK savings ratio and so, by implication, for the trade deficit. In the past such deficits have contributed to inflation because the resulting downward pressure on the exchange rate has not been completely resisted. This time, things *may* be different.

Evidence that the house price boom has had damaging direct effects on the supply side, and especially on wage inflation, can be found in a Centre for Economic Policy Research paper ("Housing, Wages and UK Labour Markets," Bover/Muellbauer/Murphy, July 1988). More recently we have accumulated *very* strong evidence, from our work on regional and international migration, which further supports this supply side interpretation of house price effects.

On inflation, I conclude that the most important blunder in economic policy in the past six years has been to liberalise credit markets without at the same time reforming the tax treatment of housing – and without doing more to improve the workings of housing markets. In his Economic Commentary (November 17 1988) Mr Brittan acknowledges a role for monetary policy in addition to whatever is necessary for exchange rate targeting, but does not comment on the mechanism by which this is supposed to work.

The failure really to get to grips with training and education in the past nine years – though not unique to this administration – has surely exacerbated the skill shortages now adding to wage pressure. Failure to recognise that public investment can help to improve the productive capacity of the economy, and the last two budgets, which erred in their generosity to consumers, have also played a part.

Regarding inflation, these failures have more than offset the two great economic successes: raising underlying productivity trends; and curbing union power, which (our research suggests) has played a substantial role in holding down inflation.

John Muellbauer,
Nuffield College, Oxford.

'Government should not make such decisions'

From Mr Robert Jackson MP, Parliamentary Under-Secretary of State at the Department of Education and Science.

Sir, I am sorry that Michael Prowse (Lombard column, November 24) believes that my speech on "Philosophy in Higher Education", to which he devotes to the whole of his column, offers "nothing that could be called coherent argument".

Since he fails to provide any account of that argument it will be difficult for your readers to judge the truth of his claim.

The whole debate will be published (at my suggestion) in the Times Literary Supplement: I am pleased that those who are really interested in this controversy will have this opportunity to form their own judgments. For my part, I am sure that they will not find that Mr Prowse's account of the debate does justice to my argument.

For those who are simply bemused, let me summarise that argument as follows:

In my speech I posed the question: "How does a country decide how much to spend on the study of philosophy in universities?" I argued that government should not make such decisions, because to do so it would have to have a policy for philosophy, which might constrain free enquiry.

Having pointed out this difficulty, I sought to describe the procedures currently followed in Britain: block allocation of funds by Government to the University Grants Committee; block allocations of funds by the UGC to universities; internal allocation within universities by the academics themselves.

I added that so far as the Government's role is concerned, it currently provides the largest fraction of gross national product (GNP) for higher education in Western Europe (except the Netherlands).

My conclusion is that decisions about how much to spend on philosophy are made – and are most properly made – by the academic community itself: not by the Government. Mr Prowse would have done your readers better service by explaining why he disagrees with this preposition – if, indeed, he does.

Robert Jackson,
*Department of Education and Science,
Elizabeth House,
York Road, SE1*

Civil service managers

From Mr John Rimington.

Sir, I gather from Hazel Duffy's reflections (November 23) on the civil service's management performance that senior civil servants in the eyes of middle management are "detached", "lacking commitment to change", and "without vision of where the Department ought to be"; it seems they *did* not join the civil service "to be a manager".

Correct – if "to be a manager" means defying the reality that the public service cannot be managed on private sector models, helpful though these can be.

The civil service is the agent of a political system, whose medium term purposes are almost by definition highly unstable. The nearer the centre, the greater the art and difficulty of translating political requirements into administrable outcomes.

Uncertainty begins at the top; if you cannot live with it, you had better not be a top manager. My principal task, as the manager of a large civil service agency, is to ensure sufficient consistency and stability of purpose to enable jobs to be done effectively; people to contribute to forward movement; and systems for monitoring, managing and accountability actually to work. It is probably no different in the "real" – as distinct from the model – private sector.

John Rimington,
9 Highbury Hill, N5.

From Mr S.M. Fish.

Sir, Hazel Duffy refers (November 23) to the concern felt by some (presumably, ministers and civil servants) of being a victim of one's own success, in that by improving customer service, social security benefit take-up would increase, causing public expenditure to rise.

If the aim is to improve customer service, increased benefit entitlement take-up would be a sign of success.

A core value of the civil service is the need to conserve public expenditure; hence the dilemma. Tackling core beliefs and assumptions is the challenge for civil service ministers and senior managers now.

S.M. Fish,
*Corporate Renewal Associates,
24 Fitzroy Square, W1*

FINANCIAL TIMES
Wednesday November 30 1988

Thatcher attacks failure to extradite priest

By Charles Hodgson in London and Kieran Cooke in Dublin

MRS Margaret Thatcher, the UK Prime Minister, yesterday launched a scathing attack on the Irish and Belgian Governments over the failure to extradite Father Patrick Ryan, the Irish priest wanted in Britain for alleged terrorist offences.

The Prime Minister also strongly defended Britain's anti-terrorism legislation in the wake of yesterday's ruling by the European Court of Human Rights in Strasbourg, that powers of detention under the Prevention of Terrorism Act breached the European human rights convention.

She said that the police would be ensured of the necessary powers to tackle terrorism effectively and said that Britain had to take account of the human rights of victims and potential victims of terrorism as well as suspects.

Speaking in the House of Commons, Mrs Thatcher said she was "utterly dismayed" at the Belgian decision not to extradite Fr Ryan and accused Dublin of "lack of resolve" in ignoring Britain's request to arrest him on his return to Dublin.

"It is no use governments adopting great declarations and commitments about fighting terrorism if they then lack the resolve to put them into practice," she said, in one of the hardest-hitting attacks on Mr Charles Haughey's government in the recent troubled Anglo-Irish relationship.

In Dublin, embarrassment over the Ryan case quickly turned to anger in the wake of the harsh criticism from Mrs Thatcher and Sir Patrick Mayhew, the British Attorney General.

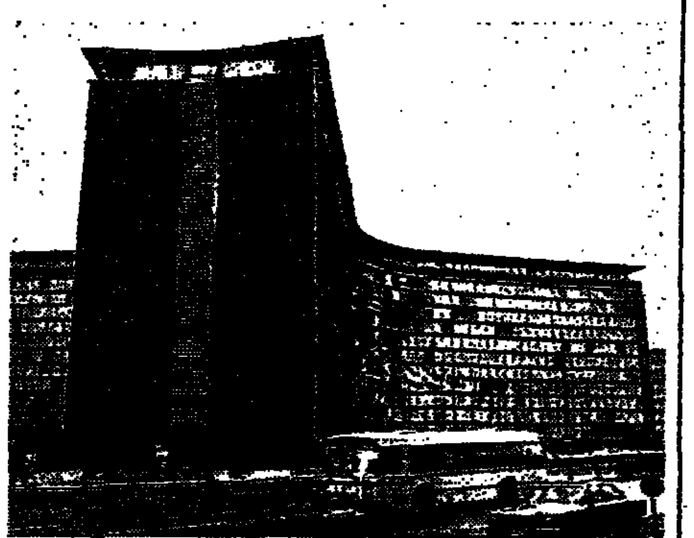
The Irish Government said that the case was now in the hands of Mr John Murray, the Irish Attorney General. Under new Irish extradition legislation Mr Murray must first examine complex British extradition documents on Fr Ryan before allowing the case to proceed to court.

While the Dublin government has said little publicly about the case, there is no doubting the degree of anger felt both within and outside government circles about what is considered to be British high-handedness and over-reaction.

Mr Gerry Collins, the Irish Minister for Justice, told the Dail that the Ryan case, which was discussed yesterday by the Irish cabinet, was complex and it would take some time before the Irish Attorney General decided whether to go ahead with extradition proceedings. Irish officials said Dublin would have to establish whether Britain had presented a "sufficiency of evidence."

European egos put on the line

David Buchan looks at the likely makeup of the new Commission

Jacques Delors (left), who will make the decision, and the Commission's Brussels HQ

MR JACQUES DELORS will be very wary of prime ministers trying to collar him for a little corridor chat during the European summit in the crusader castle at Rhodes this weekend. For the odds are they will want to bend his ear on getting the best jobs for their nominees to the new European Commission which takes office in January.

The Commission president has already complained this week of "coming under pressure from some governments" about the share-out of Brussels jobs in which national, as well as personal, ego is at stake. Having had no say in whom governments have chosen to be his 16 fellow-commissioners, Mr Delors wants to be left alone to decide which of these should get what job in his new team. The line-up will be formally announced on December 16.

This quadrennial game of political musical chairs – or *le valse des portefeuilles* as Mr Delors terms it – is tricky at the best of times. But Mr Delors has made it more complicated by his decree that no job should stay the preserve of an individual or country.

This means that the eight men who are hold-overs from the current to the new Commission must change portfolios. It also upsets the convention that certain politically sensitive portfolios such as competition, or big-spending jobs such as agriculture, should be off limits to commissioners from large member states.

The only unwritten rule that still holds good is that Germany, France, the UK, Italy and Spain – which have two commissioners each, while the smaller countries get one – should get a major job for their senior commissioner. But this only makes harder the task of carving out 17 decent portfolios when the number of real jobs is in single figures.

Barring ructions at Rhodes, the line-up is beginning to look like this. Mr Frans Andriessen (the Netherlands), embarking on his third term as the longest-serving commissioner, will move from agriculture to external relations.

This will put someone whose home country is generally on the side of the free traders in charge of external policy at a time when the Community is under foreign fire for protectionism. Intimate acquaintance with agriculture over the past four years would do him no harm in the Gatt trade talks.

Tenancy of the minor external jobs is less clear. A portfolio dealing with Mediterranean policy and North-South issues was specially tailored four years ago to accommodate the departing Mr Claude Cheysson, the former French Foreign Minister.

Mr Abel Matutes (Spain) wants this job, which might well encompass handling new applications by countries to join the Community. There is also the development dossier which entails renegotiating the Lomé aid convention next year.

Mr Martin Bangemann, the former West German Economy Minister, seems sure to inherit the weighty internal market mantle of Lord Cockfield, more, it seems, in his country's right than in his own. By national origin and party affiliation (FDP), he would probably seek to sustain the Cockfield de-regulatory momentum.

However, the internal market dossier may be shorn of certain areas (perhaps tax and financial services) in Mr Delors' desire to rationalise overlapping economic portfolios.

For instance, Mr Henning Christophersen, a former Danish Finance Minister, looks likely to move from budget to a macro-economic dossier that will also take monetary affairs away from Mr Delors himself. This in no way betokens a lessening of Mr Delors' interest in matters monetary. On the contrary, he believes it important enough to merit another's full-time attention as well as his own presidential purview. Whether Mr Christophersen will replace Mr Andriessen on the Delors monetary committee, due to report in April, is unclear.

Like many, Mr Leon Brittan (UK) will have to settle for less than his first choice of internal market. Getting his second choice will put him in charge of competition policy, one of the few Commission activities that will not bring him into general conflict with the Thatcher Government.

However, despite the higher profile that the departing Mr Peter Sutherland gave competition, Mr Brittan may want to make his job more befitting to a senior UK Commissioner by adding more authority over state aids in, say, agriculture.

Among the remaining major "horizontal" jobs, budget and personnel has been strongly bid for by Mr Manuel Marin, who among other things is believed to want to give his fellow Spaniards more of a leg-up into Community institutions. Putting him in charge of newly-increased structural funds might evoke conflict of interest accusations, since Spain will be a major beneficiary.

Managing these funds, which would be very much to the taste of a Scottish accountant such as Mr Bruce Millan (the second UK newcomer), will perhaps be the toughest single job in the Berlaymont.

By far the biggest of the "vertical" dossiers is agriculture, still accounting for more than half EC spending and hitherto held almost without interruption by Dutchmen or Danes. Current speculation is that Mr Filippo Maria Pandolfi, the new senior Italian Commissioner, will, despite his other ministerial experience in industry and finance, be steered in this direction.

If he, or others, baulk at this, Mr Delors might try someone from a smaller country, perhaps Mr Antonio Cardozo (Portugal)

The current industry portfolio may be nearly as ripe as the internal market for breaking up. It brings together responsibility for sunset industries such as steel, shipbuilding, textiles with that for sunrise sectors such as telecommunications, and R & D. If it is divided up, plausible candidates for its constituent parts are Mrs Christiane Scrivener (France), Ms Vasso Papandreou (Greece), and Mr Karel van Miert (Belgium).

However, they are also among candidates – and this is where the rumour mills begin to run silent – for other jobs such as energy, transport and environment. Mr Delors wants to create two independent dossiers out of these last two subjects, and the first to raise his hand publicly for the modish subject of the environment has been Mr Carlo Ripa di Meana (Italy).

Hardest of all to allocate may be social affairs because it is virtually the only EC dossier that can be termed (by Mrs Thatcher, for one) ideological. Mr Delors must be weighing up whether he wants to give it substance with a socialist or credibility with a non-socialist.

EC envoy repeats opposition to US farm subsidy plan

By Peter Montagnon and Bridget Bloom in London

THE European Community will maintain its opposition to US demands for the long-term abolition of farm subsidies at next week's trade ministers' meeting in Montreal, Mr Frans Andriessen, EC Farm Commissioner, said in London yesterday.

The US was asking a for a zero-option on farm reform which Europe could not accept, he told a press briefing.

"The agriculture industry in the EC would be completely exposed to all that is happening in the world market," if an end to subsidies was accepted, he said. That would raise political, social, financial and economic problems which Europe could not overcome.

Mr Andriessen's remarks appeared to confirm growing concern in the international trade community that the Montreal meeting might fail to resolve the impasse on agriculture which many regard as necessary to give a fresh impetus to the Uruguay round of multilateral trade liberalisation negotiations.

The Commissioner sought during the briefing to portray the US as isolated in its demand for a zero-option and cautioned against the view that Montreal offered a last chance to resolve the issue.

"Even if we can't agree in Montreal, that doesn't mean the negotiations would be a failure," he said.

Mr Andriessen drew attention to the efforts made by the EC to reduce its farm surpluses in recent years as well as to the real cut of 25 per cent in European cereals prices.

"There is no reason to argue that we are not credible in our negotiating position and that others are," he said. The US had been intensifying its support for agriculture just as the EC had been reducing it.

A zero-option for farm subsidies was not part of the agenda for the talks agreed two years ago in Punta del Este, Uruguay. "We didn't agree that in Punta and we will not agree in the mid-term review of the Uruguay Round in Montreal," he said.

Mr Andriessen said he had been pleased to learn that Australia, a leading member of the so-called Cairns group of independant farm exporters, was now prepared to take a more flexible view of the long-term goals for farm reform.

Europe could not accept the zero option, but in the spirit of Punta del Este it could compromise on short-term measures needed to stabilise world farm markets, the introduction of mechanisms for measuring subsidisation and a framework for negotiating reform.

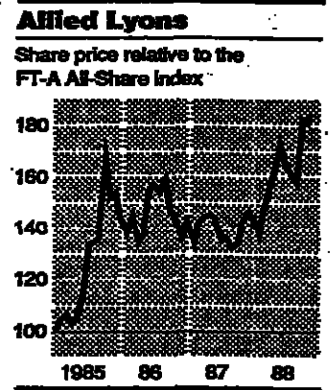
He repeated the European view that it should receive credit in the Uruguay round for measures already taken, which had led to a disappearance of the surplus in butter and milk powder and a sharp drop in the beef surplus.

In a separate attack on US policies, Mr Andriessen criticised the Reagan Administration for failing to accept a compromise solution to the looming transatlantic dispute over the impact on US exports of Europe's ban on growth hormones in meat.

THE LEX COLUMN

Lawson fights his corner

Last week's painful rise in interest rates may have made Mr Nigel Lawson look undeserving of his recent Thatcher award for Best Chancellor on Record, but according to his skilful speech to the Commons yesterday everything is well under control. By making so much of inflation and so little of the current account as the economy's only bogey, he has deftly selected a problem is which is arguably not of his making and not acute at present, and concluded that both economic health and policy are hunky-dory.



Yesterday's continued rise in sterling might suggest that the markets agree. But in fact the motivation to buy pounds has little to do with the UK economy; with money in the UK earning some 8 per cent more than in Germany, sterling only needs to be above 3.07 in six months time to make it a good buy now. Were it not for the little matter of the trade deficit sterling's attractions would look overwhelming, even at DM 3.20. However, the jagged movement of the pound in recent months shows that previous promises of a free lunch in the currency markets have not proved particularly nourishing. For all Lawson's insistence that the trade deficit does not matter, it was after all the foreign exchange market's response to Friday's figures which prompted the base rate rise. And the prospect of a repeat performance next month may mean that sterling does not have a great deal further to run.

Allied Lyons

Allied Lyons finds itself entangled in a string of topical issues at the moment: the manoeuvres of Mr Alan Bond, the Monopolies Commission's plans for the brewing industry, and the valuation of brands. Mr Bond is perhaps the most pressing problem, and certainly the most mysterious. Whatever his plans for Texaco Canada, he has at least convinced the market that he is now more interested in Lonrho than in Allied. But even if one suspects Allied to be beyond his reach, his stake makes a certain sense; his lager brands make up the most interesting part of Allied's beer portfolio, and anyone wanting to make a play for Allied would have to treat with Mr Bond as both brewer and stakeholder.

In the long run, the brewing connection may matter less. Allied makes plain that if the brewing tie were done away with, it would rather run pubs – where 70 per cent of the brewing division's profits come from – than make beer. Its own beer brands are worth a great deal, but though Allied will have valuations to hand for defensive purposes, it does not propose to help an attacker by publishing them. Indeed, one can sympathise with the directors' view that they would rather sign a conventionally meaningless balance sheet than one of their own devising.

The tricky question is what Allied would be worth were Mr Bond simply to go away. Yesterday's 19 per cent growth in interim earnings points to a current year multiple of around 11, and the downside from that on fundamental grounds cannot be enormous. The upside is that with Allied's three divisions of beer, food and drinks all fashionable areas for restructuring, the asset-shufflers must still be out with their calculators.

Bond Corp

What the markets know about Mr Alan Bond's intentions tends to depend on which time zone they happen to be located in. A story which started life yesterday in Perth as a firm bid by Bond Corp for Texaco Canada had become no more than a preliminary expression of interest by afternoon in New York. The figures involved turn out to be even more flexible: initial suggestions that the deal would call on only A$500m in Bond funds were later revised to something altogether closer to ten times that.

Not surprisingly, Lonrho's shares took a sick lurch on the news, on the principle that not even Mr Bond's bankers think he is a suitable person to own both C$5bn worth of Canadian oil and £2bn worth of African gold. But the stock soon recovered its spirits. True, bidding for Texaco Canada would leave Mr Bond out of pocket when it came to Lonrho; but the paucity of Mr Bond's finances is not exactly news to the market, which has never quite been able to see how he would fund a bid for Lonrho anyway. That has not stilled speculation over a bid up to now, and it did nothing to stop it yesterday either – no more, it seems, than did Lonrho's recent prowl through the horrors of Bond group borrowings.

HK Telecom

The real success of the HK$4bn HK Telecom issue cannot be judged until the shares resume trading later this week, but at least Cable & Wireless and the Hong Kong Government should be reasonably well satisfied. Helped by surprisingly robust local demand, they have been able to increase the size of the issue by more than 10 per cent, and while HK$4.55 per share may look cheap by comparison with HK Telecom's peak of HK$6.60, it is still being sold on a prospective multiple of 14 – some 40 per cent above the market.

HK Telecom, which accounts for about 15 per cent of the Hang Seng Index, has massively underperformed the local stock market since its shares made their debut in February, and now that the issue is out of the way they should be a better investment. Nevertheless, it is still rather puzzling why international investors should be prepared to pay a premium for HK Telecom when they could get the same exposure to Hong Kong and higher earnings growth by buying Cable & Wireless on less than 13 times earnings.

Hambros

It is beginning to look as if Hambros' leap into the UK estate agency business is as questionable as its rivals' bids to become fully integrated securities houses. For a few months after the crash it seemed to have been a brilliant move, but after the recent sharp rise in UK interest rates Hambro Countrywide – its quoted estate agency business – is suffering from similar sorts of problems to S.G.Warburg, Kleinwort Benson and Morgan Grenfell. Hambros is taking the axe to overheads, and is hopeful that house sale volume will soon recover; but it is by no means assured that Hambro Countrywide will eventually turn out another moneyspinner like Hambro Life.

Concern over Plessey bid

Continued from Page 1

Thomson of France, both of which have been mentioned as possible purchasers. Plessey has been discussing potential areas of collaboration with the French group for some time.

Meanwhile, Mr Stephen Walls, Plessey's newly appointed managing director, indicated yesterday that the company had contacted the US Pentagon as part of its defensive strategy against the bid. Plessey now generates sales of almost $500m a year in America and the US Defence Department has an interest in the ownership of this business, which would be jointly held by GEC and Plessey if the bid were successful.

Mr Walls said that Plessey was considering a wide range of responses to the takeover bid.

Gorbachev pledge on republics

Continued from Page 1

president of the presidium of the Estonian Supreme Soviet, hinted that agreement might be possible on the revised draft, although he insisted that he had yet to see the text of the planned amendments.

"We have discussed the problems, and I believe we have cleared them up," he said. He admitted that Estonia had passed illegal amendments, "but this is the time of perestroika, and many things do not conform to Soviet law."

Another huge rally in the Georgian capital, Tbilisi, yesterday dispersed peacefully after the Soviet leader's speech was read out. Dozens of demonstrators have been on hunger strike in the main square for the past week to demand changes in the reforms.

The major criticism from the republics was that they tilted the balance within the USSR further in favour of central authority, by giving the new Congress of Deputies exclusive powers over key questions such as the "composition" of the Soviet Union, and the definition of its internal as well as external borders. They were also angry at specific powers to set guidelines for the economies of the republics, which are pressing for far more economic autonomy from Moscow.

Mr Gorbachev has laid down clear limits on the extent of devolution he is prepared to countenance – refusing to accept Estonia's demand to control its own natural resources, for example. But he also appears to have recognised the popular strength of resentment at Moscow's high-handed rule of the past.

He said yesterday that a key element still to come would be granting far wider financial resources to local authorities – the revived Soviets at town and district level – as well as to the republics' governments.

The Soviet leader also sought to defuse criticism of the far-reaching powers of the new executive president – a job which he is confidently expected to take himself.

He insisted that a collective style of government would persist, and promised that the new Congress would have the right to sack a president if dissatisfied with his performance. He rejected calls for the law to insist that all elections should have at least two candidates, saying it would be wrong to put any limits on the number

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	C	08	46	Malta	R	16	61	Rhodes	F	16	61
Algiers	S	16	61	Edinburgh	C	06	43	Manchester	C	08	46	Rio de J'o	F	28	82
Amsterdam	F	08	46	Faro	S	18	64	Manila	F	29	84	Rome	C	14	57
Athens	C	15	59	Florence	-	-	-	Melbourne	C	19	66	Salzburg	S	04	39
Bahrain	F	23	73	Frankfurt	C	01	34	Mexico City	F	19	66	San Francisco	F	18	64
Bangkok	F	29	84	Funchal	F	21	70	Miami	F	28	82	Seoul	F	07	45
Barcelona	S	14	57	Geneva	R	07	45	Milan	-	-	-	Singapore	R	24	77
Beirut	C	16	61	Gibraltar	C	16	61	Montreal	C	07	45	Stockholm	Sn	-1	30
Belfast	F	08	46	Glasgow	C	07	45	Moscow	C	-6	21	Strasbourg	F	08	46
Belgrade	S	11	52	Guernsey	R	13	55	Munich	C	05	41	Sydney	F	22	72
Berlin	R	08	46	Helsinki	Sn	-4	25	Nairobi	G	23	73	Taipei	F	20	68
Biarritz	-	-	-	H. Kong	F	19	66	Naples	-	-	-	Tangier	S	18	64
Bombay	S	30	86	Innsbruck	C	04	39	Nassau	C	30	86	Tel Aviv	S	19	66
Bordeaux	F	15	59	Inverness	F	04	39	New Delhi	F	23	74	Tenerife	F	22	72
Brussels	C	12	54	Islamabad	C	23	73	New York	C	15	59	Tokyo	C	08	46
Budapest	S	05	41	Istanbul	C	09	48	Nice	S	14	57	Toronto	C	04	39
B. Aires	F	28	82	Jakarta	R	30	86	Nicosia	F	19	66	Tunis	F	17	63
Cairo	F	23	73	Jersey	R	13	55	Oporto	S	12	54	Valencia	S	13	55
Cape Town	S	20	68	Jo'burg	C	24	75	Oslo	F	-1	30	Venice	-	-	-
Caracas	C	25	77	Lima	C	22	72	Paris	C	08	47	Vienna	F	13	55
Casablanca	S	18	64	Lisbon	F	16	61	Peking	S	11	52	Warsaw	C	01	34
Chicago	C	-1	30	London	C	11	52	Prague	C	07	45	Washington	F	04	39
Cologne	D	09	48	Los Angeles	F	24	75	Reykjavik	F	02	36	Zurich	R	05	41
Copenhagen	C	01	34	Luxembourg	C	06	43								
Corfu	F	14	57	Madrid	S	07	45								
Dallas	F	07	45	Majorca	S	17	63								
Dublin	C	09	48	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Lawson defends rates rise

Continued from Page 1

cellor was more relevant that whether his policies would succeed.

Tempers frayed as MPs on both sides engaged in concerted campaigns to disrupt opposing speakers in the debate. Mr Tim Yeo, the Conservative MP for Suffolk, was ordered by the Speaker to retract a suggestion that Mr Brown had sought in the past to alter the official record of the Commons.

Government ministers complained that the Labour leadership had themselves led a campaign on the opposition benches to disrupt the Chancellor.

Sir William Clark, chairman of the Conservative backbench finance committee, said that Mr Lawson had been "absolutely right" to raise interest rates to 13 per cent. Previous rate rises had started to slow consumer spending and the latest increase would take time to work through the pipeline.

In a withering attack on the Government's economic strategy, Mr Edward Heath, the former Prime Minister, criticised the Chancellor for playing down the severity of the economic problems facing the country. He said the situation was "critical" and that the public should be prepared for the difficulties ahead.

He claimed that the problems would take much longer to overcome than the Chancellor was acknowledging and warned that the use of interest rates as the only mechanism to correct the present trade imbalance could not succeed.

كاملا من الاصل

INSIDE

Australian insurer makes the jump

UK insurance groups are witnessing the arrival of a new Australian force on the local scene. After some controversy, Australian Mutual Provident Society is to merge with London Life Assurance, mutual life assurer. It hopes to win approval for the merger plan at a High Court hearing in London next Monday. AMP says the merger is merely the first step in a wider international expansion. Page 27

Japanese car group revs up for sales drive into Europe

Nissan, Europe's leading Japanese car manufacturer, aims to increase its car and commercial vehicle sales in Western Europe by some 20 per cent during the next five years to more than 600,000 units. The group plans to establish a new European headquarters to co-ordinate its European sales and marketing operations, help establish a common brand image throughout Europe and strengthen the sales and service network. Page 24

Elliott consolidates stake in Hong Kong investment group

John Elliott, (left) who controls the Elders brewing empire, became the second Australian entrepreneur within a month to announce he is to buy out his minority shareholders in a Hong Kong company. Elders IXL is offering US$3.30 for each share it does not own in Hong Kong-listed Elders Investments. Page 26

Bank of France comes of age

The Bank of France has spent most of the last two centuries firmly enclosed within its stout walls in the heart of Paris. But it is about to embark on its first strategic plan since its foundation in 1800. The plan represents a determined attempt to modernise operating structures and come to grips with the tasks of a central bank at the end of the twentieth century. Page 29

EC set to pull plug on wine lake

The "wine lake" may not be the EC's biggest problem, but over the years it has been one of the most stubborn. Undaunted by previous failure, the Commission is making fresh efforts to bring production into line with demand and is planning cut-price sales to dispose of existing surplus stocks. Page 40

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Kaufhof Ord	374	+	7	CFAO	1870	+	79
RWE Ord	234.2	+	4.2	Primagaz	699	+	29
Degussa	372.3	+	3.3	Finextel	298	+	8
Falls				**Falls**			
Nixdorf	325.1	–	8.2	Galer Lafayette	1300	–	80
Bay Vereinsbank	347	–	6	Epeda Ber Faure	1040	–	55
Bayer Hypobank	348.8	–	4.2	Talc de Luzenac	1185	–	35
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
IBM	119	+	⅜	Taito	2300	+	290
Prime Computer	16½	+	⅞	Nippon Avionics	2500	+	300
RJR Nabisco	90	+	1	Dai Nippon Torya	1100	+	130
TW Services	24⅞	+	2½	**Falls**			
Falls				Tokai Car	1180	–	80
Reebok Intl.	10¼	–	¼	Orient Finance	1270	–	80
Texas Air	13½	–	⅜	Tkyo Rakutenchi	1010	–	60

New York prices at 12.30.

LONDON (Pence)							
Rises				Mount Charlotte	158	+	7
Barclays	418	+	5	Mountleigh	189½	+	8½
Booth Inds.	131	+	11	Morton Opax	154	+	10
Chamberlin Hill	220	+	25	Polly Peck	282	+	6
Fairline Boats	435	+	35	Priest Marians	468	+	8
G.T. Management	177	+	14	Utd Newspapers	394	+	8
Gt Portland Est	387	+	16	Yorkshire Chem	254½	+	16½
Hammerson A	884	+	12	**Falls**			
Highland Dist.	134	+	5	Stanar Group	86	–	13
ICI	974	+	9	Global Group	48	–	5
Johnson Fry	167	+	65	LIT. Hldgs.	145	–	6
Midland	422	+	10½	Plessey	209½	–	5
Morgan Grenfell	305	+	8				

Bond Corporation enters auction for Texaco Canada

By David Waller in London and David Owen in Toronto

MR ALAN BOND, the Australian entrepreneur whose business interests range from brewing to mining, yesterday declared himself a prospective bidder for Texaco Canada, Canada's fourth largest oil producer and a 78 per cent subsidiary of Texaco, the US oil giant.

Bond Corporation, Mr Bond's main corporate vehicle, confirmed yesterday, after a day of confused speculation, that it had reached the second stage of the tendering process for the stake. Analysts in Toronto predicted that the sale could value the Canadian operation at as much as C$5bn ($4.1bn).

News of Mr Bond's interest left even the closest followers of his intricate business activities in a state of great confusion. Although he has interests in oil, petrol and coal in Australia and China, the successful acquisition of the Canadian company would take him into a relatively new area of upstream oil and gas exploration – and would be his biggest deal to date.

That he should even be contemplating such a diversification at a time when he is widely believed to be limbering up for a bid for Lonrho, the London-based trading group in which he has a 21.5 per cent stake, greatly added to analysts' perplexity. He has also been liquidating investments in all parts of his global empire, in an attempt to cut group borrowings from A$7bn ($6bn) at the end of October to under $A4bn early next year.

In the latest such move, Mr Bond yesterday sold his 14.9 per cent holding in TV-am, the television group. His shares were placed in the market by Barclays de Zoete Wedd, the London securities house. The amount raised was not disclosed, but the stake was valued at approximately £15m ($27.8m) at yesterday's closing price.

Some analysts suggested that Mr Bond's involvement in the tendering process had been deliberately leaked to take the heat out of Lonrho shares, allowing him to add to his stake. Lonrho shares oscillated between 368p and 385p in heavy trading, ending the day 3p down at 376p.

Mr John Richardson, chief executive of Mr Bond's UK and European operations, said the group had got beyond the first stage of the tendering process, launched by the US parent in August. Mr Richardson said that Bond was interested in the whole of the Canadian company, but was probably up against half a dozen other prospective buyers. He declined to give any indication of the level of the Bond bid.

A Texaco Canada spokesman would not comment as to the size of any Bond Corporation bid citing confidentiality agreements with prospective buyers.
Lex, page 23

ALLIED-LYONS, in which Bond Corporation holds a 10.5 per cent stake, yesterday reported pre-tax profits of £229m ($416m) for the 28 weeks to September 17, an increase of 16.5 per cent on the same period last year. Details, Page 31

Chloride plans to sell loss-making car battery operation

By Andrew Hill in London

CHLORIDE is planning to dispose of its loss-making automotive battery operation in continental Europe and the UK, once the core of the UK electrical energy group, in a move which analysts believe could improve the group's image.

It is thought a buyer would have to pay at least £30m ($54.6m) for the operation, which trades principally under the Exide brand name, including seasonal debt of about £30m. It will retain its larger industrial battery operations.

At the same time, Chloride named Mr Ray Horrocks to succeed Sir Michael Edwardes as non-executive chairman, and revealed a 24 per cent improvement in pre-tax profits to £7.7m in the six months to September 30. Mr Horrocks, already a member of the Chloride board, was a top executive at British Leyland when Sir Michael was chairman there in the late 1970s and early 1980s.

Chloride is thought to be discussing the sale of the automotive battery operation with as many as six battery-manufacturers, from Japan, the US, Germany and France. They could include Varta and Matsushita, respectively German and Japanese battery-makers.

Although the company said a joint venture was another possibility, this is probably less likely than outright sale of the operation, which accounts for about 12 or 13 per cent of group turnover.

No British battery-makers are involved in the talks. Of the two likely UK buyers, Lucas is already involved in a joint venture with Yasua, the Japanese battery maker, and Hawker Siddeley, which makes under the Oldham brand name, would have encountered monopolies problems.

Mr Peter Regnier, Chloride's finance director and another former BL executive, gave three reasons for the sale:

- The European industry is inefficient and in need of consolidation, especially with 1992 approaching;
- Chloride is unhappy with the seasonal and unpredictable nature of the business, which leads to a large build-up of debt before the peak winter selling season;
- Japanese car makers setting up in Europe have brought Japanese component manufacturers with them, increasing competition.

Mr Regnier said the company wished to concentrate on higher technology power systems, for example stand-by battery power for telecommunications industry, and lithium rechargeable batteries with consumer electronic applications. In August, Chloride bought 51 per cent of Altus Corporation, a US industrial and high technology battery group.

Chloride is to retain its Exide International subsidiary, which makes automotive batteries for non-European countries and makes a return on sales of more than 20 per cent.

The group's shares were unmoved by the news falling 1p to 58p, despite analysts' pleasure at the announcement.
Results, Page 32; Observer, Page 24

Chinese provincial agency to acquire HK Telecom stake

By John Elliott in Hong Kong

A TRUST fund, set up to help finance the Chinese provincial government which will take control of Hong Kong from the UK in 1997, is to take a stake in Hong Kong Telecommunications by acquiring over 5 per cent of a HK$4bn ($515m) share placement and offer for sale due to be announced in detail by the company tomorrow.

The details will show that the total placement involves 877.5m shares at HK$4.55 each, 11 per cent more than the original price of $5.10 announced earlier this month. The shares are being offered by Cable and Wireless of the UK, which controls the company, and the Hong Kong government.

China already has stakes in various Hong Kong companies through a number of banking and other institutions, including Guangdong Press and Communications from the province adjacent to Hong Kong which has 0.1 per cent of HK Telecom.

But the investment in HK Telecom is believed to be the first significant entry into the colony's equity market by the fund, called the Hong Kong SAR Government Land Fund – SAR stands for Special Administrative Region, the colony's status when China takes over.

The fund was set up in 1986 under the 1984 Sino-British Joint Declaration. It takes 50 per cent of the net proceeds of government land sales to provide the new administration with an immediate pool of finance. It has already accumulated nearly HK$10bn. So far it has placed the money mostly in bank deposits and fixed income instruments.

The HK Telecom share placement is the biggest ever made in Hong Kong. The offer total of 877.5m shares amounts to about 8 per cent of the company's total shares compared with an initial expectation of 11 per cent and a total of 6.4 to 7.1 per cent announced earlier this month.

The price of HK$4.55 is a discount of 7.6 per cent on the share's closing price of HK$4.925 when trading was suspended before the market opened yesterday morning.

A total of 675m shares are to be placed in Hong Kong where the offer closes on December 7, with a further 202.5m going to the US and 100m to Europe and Japan, both closing on December 15.

Cable and Wireless and the Hong Kong government are both offering the same number of shares which will bring Cable and Wireless's stake down from 79 per cent to 75 per cent, while the government will drop from 11 per cent to 7 per cent.
Lex, Page 22

Joint venture sheds light on GEC and Siemens

Clay Harris on Anglo-German co-operation

From the windows of Colditz, faded remnants of Second World War camouflage are still discernible on a building across the way. Locals rarely fail to point out the faint markings to visiting Germans: it is not, perhaps, what they expect to find on an industrial estate in north-west London.

These days, however, "Colditz" – the nickname for a former General Electric Company glass works in Wembley – is a hive of Anglo-German co-operation as the sales and marketing headquarters of Osram-GEC. The UK lighting maker has been jointly owned since 1986 by GEC and Siemens, two of Western Europe's largest industrial groups.

The partners now have larger prey in their sights; their joint takeover bid for Plessey values the UK electronics group at £1.7bn ($3.1bn). When they launched the offer earlier this month, GEC and Siemens outlined plans to follow a takeover of Plessey with the creation of international joint ventures in sectors such as defence electronics and telecommunications.

Anglo-German accord: Karlheinz Kaske, chief executive of Siemens (left) and Lord Weinstock, managing director of GEC, announce the bid for Plessey

By comparison, their co-operation at Osram-GEC is small and limited in geographical scope. Although neither parent group breaks out turnover and profits figures for Osram-GEC, some idea of its size may be gleaned from the £40m Siemens paid GEC in 1986 to buy a 49 per cent stake in Osram-GEC and to regain worldwide control over the Osram trademark.

In spite of the relatively modest size of the venture, the record at Osram-GEC has given intriguing hints of how the two large companies – each with reputations for huge and slow-moving bureaucracies – are learning to work together.

Co-operation between Osram-GEC and Osram, Siemens' wholly-owned West German-based light bulb subsidiary, has ranged across the visible spectrum. They have co-ordinated their approaches to research and development, product ranges, manufacturing and marketing.

Their strategic approaches – as seen from Wembley – are a study in contrast. Osram harps about market share while GEC focuses on profit margins.

In the UK light source market, the first shows signs of paying off. Although market shares are notoriously hard to discover, Osram-GEC is estimated to have increased its share by 1 to 2 percentage points over the past year, while the leaders – Thorn and Philips – slipped slightly. The trend in profit margins is more difficult to ascertain.

For both sides, the 1986 accord was overdue. The Osram name had been expropriated from its German owners after the First World War, since when GEC had used the brand in the UK and Commonwealth. When the German Osram entered the UK market in the 1970s, it was obliged to use a different brand – Wotan.

In spite of the success of this entry into the UK, the Germans were handicapped by a misreading of the market. Even now, says Mr Alan Parry, Osram-GEC marketing manager: "They under-estimate the volume but they over-estimate the amount the UK consumer will pay."

Meanwhile, Osram-GEC, as the GEC subsidiary was confusingly named, had focused narrowly on its home market. It lacked the heft and the broad research and development base to compete worldwide with Osram or Philips, for domination of the global lighting market.

It would be misleading, however, to interpret the 1986 deal as an exchange of British marketing expertise for German technical knowledge. The partners have a tacit agreement to allocate research leadership to the pioneers in each product.

For example, the German company makes for Osram-GEC small metal-halide lamps which are increasingly in demand for display lighting.

Osram-GEC, however, makes all the low-pressure sodium lamps for the group – and the German parent – and has responsibility for development of high-pressure SON lamps.

UK % market shares for light sources

Thorn Lighting (UK)	31
Philips (Netherlands)	27
Osram-GEC (UK/Germany)	19
GTE/Sylvania (US)	8
Wotan (Germany)	5
Tungsram (Hungary)	4
General Electric (US)	1
Others	5

Source: Thorn Lighting estimates

This reciprocity has allayed fears that Osram-GEC was to become merely a UK sales outlet for German manufacturing. In fact, UK employment has been steady at between 2,800 and 2,900 since 1986.

Both companies, meanwhile, see the link-up as a way to benefit from economies of scale in volume production of the common incandescent light bulb. No single national market in Europe is large enough to justify installation of the latest machines, producing up to 6,000 bulbs an hour.

Osram-GEC's latest plant for these bulbs is more than five years old and has a capacity of only 3,500 bulbs an hour, but productivity has been increased by adopting Osram's method of feeding in tungsten filament.

The Osram influence has been felt off the factory floor as well. Dr Bernhard Lauffer, planning director and one of the few Germans to join Osram-GEC, masterminded development of a computer management system which has transformed a company where orders were being taken on paper only eight months ago.

Perhaps most importantly, the arrival of the Germans has shaken Osram-GEC out of any sense of complacency. The new prominence for the name Osram has been a tonic for morale, helping to liberate the company's image from the shadow of GEC, which some insiders felt gave its reputation for staid, albeit well-engineered products.

"We want to be seen as an aggressive, progressive marketing organisation," says Mr Parry. Joint ownership, agrees Mr David Schofield, commercial director, "has given us much more confidence in seeking approval for investment." A total of £10m will have been invested in Osram-GEC by March 1989.

Still unresolved, in an industry thinking in terms of "lighting solutions" rather than electrical hardware is the relationship between bulbs and fittings.

Osram-GEC traditionally has made both. The Siemens empire, however, has kept the two apart – with bulbs in Osram and fittings in a a separate company, Siemens Lighting.

As a result, Siemens Lighting continues to compete head-on in the UK fittings market with Osram-GEC, in stark contrast to the co-operation which has been achieved on light sources.

It may be significant that both companies have stopped stamping their names on to components. This would allow the same fittings to be sold under more than one brand.

Will the partnership continue in the long term? Under the 1986 agreement, GEC will be able, next spring, to require Siemens to buy its 51 per cent holding based on a performance-related formula. Siemens' reciprocal right to force GEC to sell comes in 1993.

Osram-GEC itself sees commercial advantages in continued joint ownership. This leaves it free, for example, to buy certain bulbs from outside suppliers rather than more expensive models offered by its German parent.

If the relationship continues after 1993, the team at Colditz would not be displeased. They have learned that it is possible to serve two masters.

LIT Holdings to buy Johnson Fry for £24m

By Nikki Tait in London

LIT Holdings, the acquisitive London-based future and options brokerage, is stepping up its financial services side with the acquisition of Johnson Fry, best known for its active role as a Business Expansion Scheme sponsor.

The agreed cash-and-shares offer for Johnson Fry, whose shares trade on London's Unlisted Securities Market, values it at £23.8m ($44.1m).

LIT Holdings, through its Shatkin Trading and Bailey Trading subsidiaries, is the largest clearing firm on the Chicago Board of Trade, the biggest futures exchange. The company claims to be the largest clearer of futures and options worldwide.

About a year ago, however, LIT saw a series of management changes, which brought in Mr Michael Middlemas, formerly with Transatlantic Insurance, as chief executive, and Mr John Botts, a former Citicorp executive who now has a small investment bank, as non-executive chairman.

Since then it has made several acquisitions on the broader financial services side – including Jersey General Investment Trust, for about £60m, fund management groups Asset Trust for £14m and Ashburton Trust for up to £6m.

Yesterday, LIT said that the Johnson Fry deal was an extension of this policy. The group was started by Mr Michael Johnson and Mr Charles Fry in 1969, largely as a life assurance and mortgage broker.

In the year to end-October, pre-tax profits were £1.22m. The directors forecast not less than £2.4m in the year just ended.

The terms of the offer are 78 LIT shares and £60.19 in cash for every 100 Fry, which - with LIT 6p lower at 145p, values each Fry at 173p. Yesterday, Fry shares jumped from 102p to 167p.

Johnson Fry came to the USM two years ago, but 53 per cent of shares are in the hands of directors. These have been irrevocably pledged to accept the offer.

Cuomo urges NY pension fund to halt LBO funding

By James Buchan in New York

GOVERNOR Mario Cuomo of New York has asked the state's huge pension fund to stop investing in company takeovers amid spreading uneasiness over the bout of Wall Street deal-making.

In a statement published late on Monday, Governor Cuomo said he had asked the sole trustee of the $36bn state Common Retirement Fund to stop investing in Wall Street "war chests" for takeovers and buy-outs while a special 20-man task force of business, labour and Wall Street leaders examined the takeover business.

The move is significant because New York, with more than $100bn deployed in the financial markets by three state pension funds, could influence other big state administrations.

The announcement is the latest and most important sign of growing political revulsion at Wall Street's increasingly ambitious and leveraged takeover deals, culminating in this month's $20bn battle to buy and break up RJR Nabisco, the foods and tobacco group.

The Common Fund is believed to have more than $100m invested with one of the proposed takeover bids for the group.

Ten days ago, the third largest private-sector investing institution in the US, the Metropolitan Life insurance company, sued RJR's management for launching their proposal to buy out public stockholders in a leveraged buy-out.

About two-thirds of the US stock market is owned by professional institutions, including state and private sector pension funds, insurance companies and mutual funds.

Mr Lee Smith, a Cuomo economic adviser and director of the new task force, said the Common Fund had $1.1bn invested in special funds designed to provide equity capital for managements to buy out their companies. He said the bulk of the investment was with Kohlberg Kravis Roberts, one of the Wall Street bidders for RJR.

The other two funds were not invested in leveraged buy-out funds, he added.

Comptroller Edward Regan, the trustee of the fund which provides pension for all state employees except teachers, did not comment on the call for a moratorium but said the "idea of looking into the investment of pension funds in LBOs is certainly interesting."

American joins Air NZ bidding

By Michael Donne, Aerospace Correspondent

AMERICAN Airlines, owned by AMR Corporation of the US, and Japan Air Lines, one of the biggest airlines in the Far East, have joined the consortium of Brierley Investments (BIL) and Qantas of Australia in bidding for Air New Zealand.

Air NZ has been offered for sale by the New Zealand Government. It has stipulated that 65 per cent of the airline should remain in New Zealand hands, and only 35 per cent with foreign organisations.

The prospective privatisation is part of the Government's plan to liquidate assets to pay off foreign debts.

BIL, which is the main investment vehicle of Sir Ronald Brierley, the New Zealand financier, and Qantas announced their plan to bid for ANZ last week.

They were quickly followed by another consortium comprising British Airways, DFC New Zealand, an investment bank now owned by National Provident Fund of New Zealand, and EIE Development, a Japanese investment company specialising in tourism.

BIL and Qantas said yesterday that American and JAL were each seeking up to 7.5 per cent of Air NZ, and Qantas 19.9 per cent, so the New Zealand Government's rule that only 35 per cent should end up in foreign hands would be adhered to. BIL has also said that it would hold only 35 per cent of the Air NZ shares, and that the remainder would go to the public and airline staff in New Zealand.

Neither of the two groups has given financial details of their offers.

JAL is already linked with Qantas in a new computer reservations group called Fantasia. JAL said it hoped to strengthen its operations throughout the Pacific islands region as a result of the prospective link with Air NZ.

The New Zealand Government is expected to decide on the matter before the end of the year.

Reebok in further warning of decline

REEBOK International, the US sports shoes group in which Pentland Industries of the UK has a 32 per cent stake, yesterday issued a further warning of a decline in full-year earnings, Our Financial Staff writes.

The group, which has been suffering from depressed margins in a highly competitive market, expects net income for 1988 to be between $1.15 and $1.20 a share, down from $1.49 a share last year, largely because two divisions are not performing to plan.

The latest forecast for full-year earnings is about 25 cents lower than the prediction it made in September.

Mr Paul Fireman, Reebok's chairman and chief executive, said: "Sales of Reebok brand footwear remain strong and will meet the expected growth rate of 15 per cent for 1988. Sales at the Rockport and Avia divisions are above prior year levels, but they are substantially below plan, as are their earnings.

"This is the principal reason for net income being below the $1.40 to $1.45 range anticipated in September."

US thrifts face tough rules on capital

By Anatole Kaletsky in New York

IN A new move to gain control over the growing crisis in the US mortgage banking industry, the Federal Home Loan Bank Board has proposed doubling the capital requirements for savings and loan institutions.

The board also said it would seek unprecedented emergency powers to oust managements from still-solvent institutions if these were deemed to be "unsafe and unsound."

The proposals, presented at a meeting of the board in Washington on Monday night, would introduce to the thrift industry risk-adjusted capital requirements similar to those recently imposed on the banking industry as part of the international process co-ordinated by the Bank for International Settlements.

Under the plan, each thrift's capital would have to be increased to 8 per cent of risk-adjusted assets by a deadline which has not yet been fixed.

Thrifts are supposed to maintain capital equivalent to 3 per cent of assets acquired before 1987 plus 6 per cent of assets acquired since then.

In addition to raising capital requirements, the proposals would also for the first time take account of the varying risks of thrift assets.

Capital requirements would be increased for assets subject to interest-rate risk, such as fixed-rate loans funded by floating-rate deposits.

Home mortgages would have to be backed by only half as much capital as commercial mortgages. But equity investments in real estate would require three times as much capital as commercial loans.

While the new capital rules would be at best a long-term response to the industry's problems, the FHLBB is also to seek new powers to deal with badly-managed institutions.

The board has the right to replace managers and force mergers or closures at insolvent institutions, but it wants to extend these powers to "unsafe and unsound" thrifts, defined as institutions where capital falls below 1.5 per cent of total assets.

Nissan steers bold course in Europe

Kevin Done on the Japanese car maker's determination to lift sales

NISSAN, the Japanese automotive group, is aiming to increase its car and commercial vehicle sales in West Europe by about 20 per cent during the next five years. The group is the leading Japanese car maker in Europe.

This year it expects to sell 398,000 cars, compared with 369,000 units in 1987, taking its share of the West European car market to about 3 per cent, and 104,000 commercial vehicles.

Nissan is also planning to establish a new European headquarters to co-ordinate its European sales and marketing operations, help establish a common brand image throughout Europe and strengthen the sales and service network, Mr Ian Gibson, deputy managing director of Nissan Motor Manufacturing (UK), said yesterday.

More than half of Nissan's projected European vehicle sales of 600,000 units in the early 1990s would be sourced from its UK and Spanish manufacturing plants, he said. Increased European sourcing would help shield the company from the impact of a further yen appreciation.

Nissan is the most multinational of the Japanese automotive groups and is the only Japanese vehicle maker to have established a substantial manufacturing presence in West Europe. It has car assembly plants in the UK and commercial vehicle manufacturing in Spain.

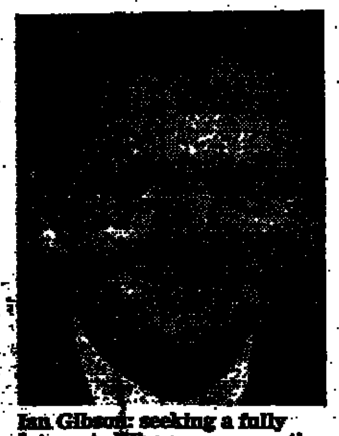
Mr Gibson said Nissan was seeking to establish a "fully integrated motor vehicle operation in Europe" with design, manufacturing, sales and service.

Sales and marketing were currently undertaken by a series of largely unco-ordinated national importers and distributors in Europe.

The company wanted to establish one sales and marketing base in Europe, however, with the transfer to Europe of sales and marketing research functions now being carried out in Japan.

Nissan was aiming to achieve much of its future European sales growth in the car markets of southern Europe, Italy, France, Spain and Portugal, which have been closed or severely restricted to direct Japanese imports.

In 1992 it would begin manufacturing in the UK its second model line, a Micra-class supermini, selected specifically to enable it to attack the predominantly small car southern European market from a manufacturing location within the European Community.



Ian Gibson: seeking a fully integrated European operation

Mr Gibson said the location for Nissan Motor Sales Europe had not yet been decided. Although the group was considering sites in Amsterdam, Brussels and London, Amsterdam was the most likely location.

The co-ordination of the separate national sales operations should be achieved by the early 1990s.

Nissan has already located its European motor parts centre in Amsterdam, where it claims to have the "most technologically advanced automotive parts operation in Europe," following the completion in July of an automated stock building.

As it builds up its European manufacturing base, the group is devoting increasing resources to its European after-sales and service functions.

It maintains it is able to deliver service parts to customers in virtually the same time as indigenous European motor manufacturers, and it is working on establishing by 1990 a 24-hour emergency service system in 20 countries throughout Europe.

After several troubled years, Nissan's Spanish-based commercial vehicle operations have staged a strong recovery.

Production is expected to exceed 70,000 units this year, a 32 per cent jump following an increase of 26 per cent in 1987, when output totalled 53,000 units.

Pre-tax profits are expected to more than triple from Pta2.34bn ($20.6m) in 1987 and a loss of Pta8.5bn in 1986.

NMUK, the UK car manufacturing operation, is not expected to achieve a net profit until 1993, when it will achieve full production of about 200,000 units a year.

Himont income surges 64%

By Alan Friedman in Milan

HIMONT, the polypropylene subsidiary of Italy's Ferruzzi-Montedison group, yesterday reported a 64 per cent jump in net profit for the year to October 31.

The company lifted the figure to $372.9m, compared with $226.9m last year, on total sales of $1.71bn, up 46 per cent on the previous year's $1.17bn.

Himont, which is quoted on the New York Stock Exchange, is 82 per cent owned by Montedison.

It was formed originally as a joint venture between Montedison and Hercules and is the world leader in polypropylene production, claiming a 20 per cent share of the international market.

Himont said its operating profits for the year rose by 69 per cent to $525.6m.

Mr Alexander Giacco, the Himont chairman who was appointed earlier this year as chief executive of Montedison, said in Milan yesterday that he was planning investments of $1.6bn between now and 1992 which could generate revenues of more than $4bn.

Mr Giacco was at pains yesterday to praise Mr Mario Schimberni, the former Montedison chairman who was ousted a year ago by Mr Raul Gardini, the head of the Ferruzzi group which controls Montedison.

Mr Schimberni bought control of Himont during 1987.

● Mr Enrico Randone, chairman of Italy's Assicurazioni Generali, said yesterday he remained interested in France's Compagnie du Midi and in possibly "transforming it into a grand insurance enterprise with a grand international vocation."

Mr Randone said that Generali, Italy's leading insurer, currently owns 16 per cent of Midi (together with Mediobanca and Lazard Frères), but that for the moment Generali was waiting to see how the dispute between Mr Bernard Pagezy, chairman of Midi, and Mr Claude Bebear, chairman of Axa (with 28.6 per cent of Midi) shapes up.

It will only be after Generali sees how the battle between the leaders of Midi and Axa is resolved that Mr Randone will act.

Mr Randone also described as "fantasy finance" the speculation swirling about the Milan bourse which would have either Japanese investors buying up shares in Generali or a move by existing shareholders, such as Mediobanca and Lazard Frères, acting to increase their stakes.

Investcorp arranges sale of boat companies

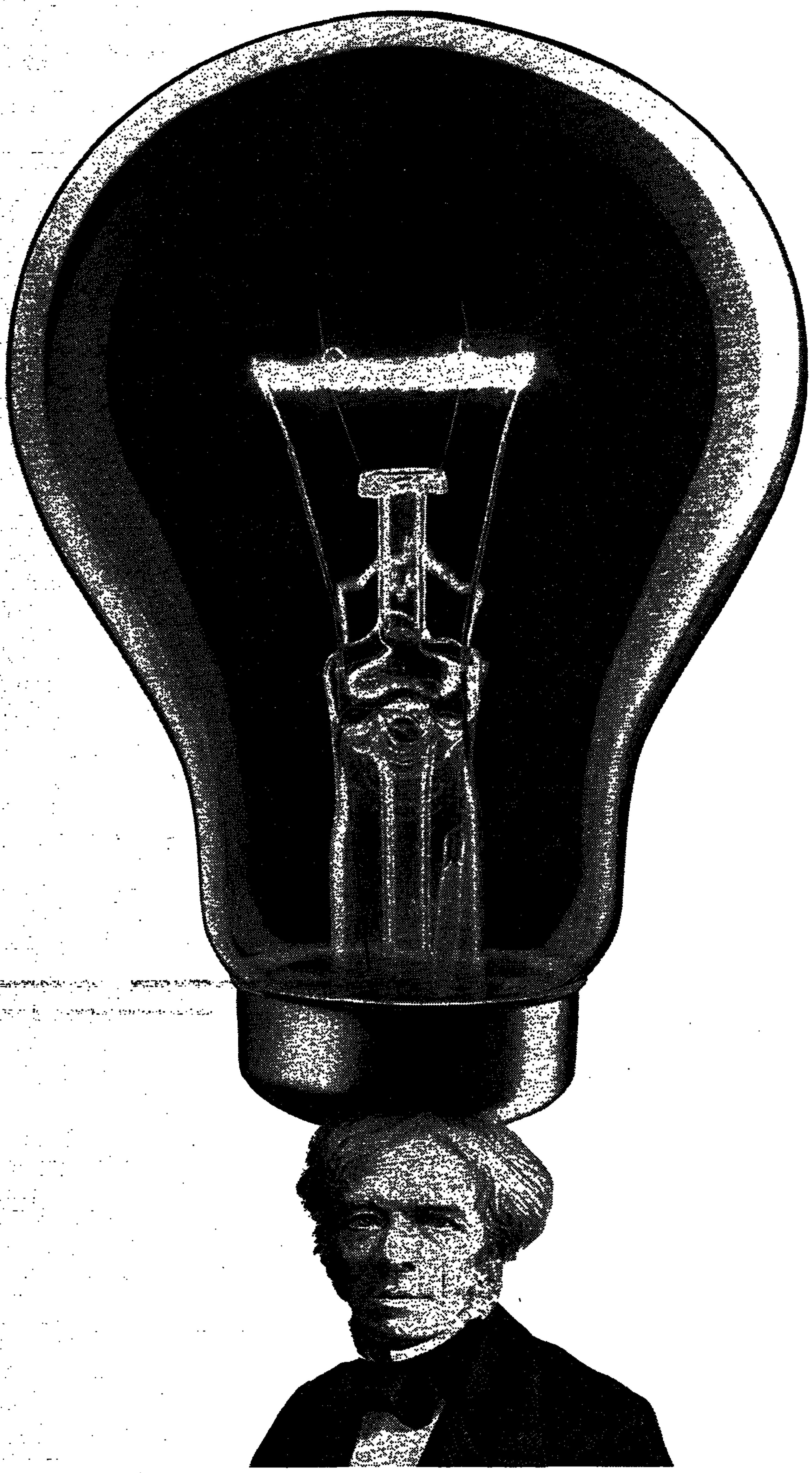
By Our Financial Staff

TWO SPECIALIST power boat companies have changed hands as a result of deals arranged by Investcorp, the Bahrain-based bank which invests in leading North American and European brand names.

Investcorp, which had become involved as part of earlier management buy-outs, did not disclose a price on the disposals.

The Miami-based Bertram-Trojan, the larger of the two companies with $127m revenues, has been bought by an investor group led by G.L. Ohlstrom & Co of New York.

Cantieri Riva, the Sarnico-headquartered maker of luxury speedboats and motor yachts, has been acquired by Schroder Wagg.



Mr. Faraday's idea was bigger than he knew.

Making electricity is simple, as Michael Faraday taught us in 1831. If you keep spinning a copper disc inside a magnet, you'll generate a continuous supply.

Generating *enough* electricity, on the other hand, has created one of the biggest businesses in Britain, with assets of around £25 billion.

Our turnover last year was more than £8 billion, our trading profit £590 million. We still use magnets and copper. But on a massive scale, 24 hours a day, 365 days a year.

And we use good old steam power to turn most of our turbines. But to get up a sufficient head of steam we need a massive fuel supply.

Our annual fuel bill is over £4 billion, more than half our total costs. So keeping fuel costs down is clearly essential for our business. And for the nation's business. Just about everyone in England and Wales uses our electricity. We have to generate as much as is needed, at as low a price as possible.

So we use many different fuels; fossil and nuclear.

And we'll continue to seek new sources of power: to harness the wind and the tides and the heat beneath the earth's surface.

Our efforts are needed not only to keep prices down, but to satisfy a widely fluctuating demand, day and night, summer and winter; through storms and strikes and other acts of God or man.

That's the generating game: high stakes, tough rules and plenty of challenges. But it's a game we have to go on winning.

By using our magnets, like Mr Faraday said.

THE GENERATING GAME

CEGB
NATIONAL POWER. POWERGEN.

Elders to buy out minority shareholders in HK unit

By **John Elliott** in Hong Kong

MR JOHN Elliott, who controls the Elders empire, yesterday became the second Australian entrepreneur within a month to announce that he is to buy out his minority shareholders in a Hong Kong company.

Elders IXL is offering US$3.30 for each share of the 25 per cent of shares it does not own in Hong Kong-listed Elders Investments. The stock was floated in October last year, coinciding with the world markets crash, at US$3.30.

Yesterday's offer is equivalent to HK$25.74, about 50 per cent higher than the closing price of HK$17.40 before trading was suspended yesterday. Shareholders will have an option of receiving payment in Hong Kong dollars or Australian dollars instead of in US dollars.

Last month, Mr Alan Bond announced plans for his Bond Corporation of Australia to buy out the 33.8 per cent minority of Hong Kong-quoted Bond Corporation International it does not own.

There have been similar recent buy-out moves by Hong Kong companies at a time when the colony's depressed stock market is pricing shares well below net asset value.

They include Sun Hung Kai Properties, which announced its intention on Monday to buy out the 43 per cent minority in New Town Properties.

Yesterday SHK said it would offer HK$8.30 in cash, or a one new SHK share of HK$0.50 (issued at a price of HK$11.66 per share) plus HK$0.94 in cash.

In the current state of the Hong Kong market, neither Mr Elliott nor Mr Bond have found their flotation in the colony worth continuing. Elders has not used its company to make any investments in Hong Kong, although Mr Elliott said yesterday that "Elders remains committed to Hong Kong as the centre of its activity in Asia."

Bankers and brokers in Hong Kong say that the buy-outs do not reflect badly on the colony's ambition to be recognised as an international financial centre because neither Mr Bond nor Mr Elliott had long-term investment intentions.

"Whilst the outlook for Elders Investments remains promising, the shares have traded at a discount to net asset backing since the crash of October 1987. In current market conditions this position appears likely to continue for the foreseeable future," Mr Elliott said last night.

W German bank hit by higher costs

By **Andrew Fisher** in Frankfurt

COMMERZBANK, the third largest of West Germany's commercial banks, yesterday reported a drop in earnings in the first 10 months as a result of higher staff and equipment costs. However, the company said it would maintain its dividend and also channel more money to its reserves out of 1988 profits.

At group level, partial operating profits were down by 7.6 per cent to DM546m ($489m). But full operating profits, for which no figure was given, were 2 per cent higher for the group and 9.1 per cent higher for the parent bank. The comparisons are with ten-twelfths of the full year's results for 1987.

Mr Walter Seipp, chairman, said the results should be viewed in a positive light, when considering the scepticism with which the year had begun. He expected a "satisfactory" result for the full year. However, he commented: "The cost side is causing us concern."

Reflecting staff increases and higher capital spending to match the pace of developments in domestic and international banking, partial operating profits of the parent fell by 6.5 per cent to DM532m.

Net interest and dividend income showed a 5.7 per cent gain, in spite of pressure on interest margins. But commission income slipped by 0.9 per cent, with weaker earnings on securities business after last year's stock market crash not quite offset by the effect of a higher volume of foreign trade payments.

Mr Seipp expected the cost increases to be less steep in 1989 after this year's push. "This should have a positive effect on partial operating profits." As for the 1988 dividend, he said the bank would be able to maintain this at DM9 a share.

Commenting on the run-up to the unified European market in goods and services after 1992 and the discussion over how far German banks should go in providing a full range of financial services, including insurance, Mr Seipp said Commerzbank's preferred method was through co-operation.

He added, however, "this could be reinforced through financial links where necessary" – hinting that a domestic deal was in the offing.

● Deutsche Babcock, the West German engineering company, said yesterday sales rose 6.7 per cent in the year ended September 30 to DM5.2bn ($3.04bn) from DM4.83bn.

It did not give net earnings figures, but had said in August it expected group net to be roughly unchanged at DM45m.

Goodman 'interested in RHM'

By **Chris Sherwell** in Sydney

GOODMAN Fielder Wattie, the Australasian food giant, remains interested in the milling and baking operations of RHM, the British foods company for which it launched an abortive £1.6bn ($2.9bn) bid earlier this year.

The interest was expressed by Mr Pat Goodman, chairman, when he addressed the group's annual meeting yesterday. He also said that the group would take as long as it felt appropriate to solve the difficulty of its 30 per cent shareholding in the UK company.

Goodman Fielder Wattie decided to offer its holding for sale when the bid was referred to the Monopolies and Mergers Commission. The referral sprang from questions about the merged group's likely debt burden, and meant the bid "technically lapsed," as Mr Goodman put it yesterday.

According to Mr Goodman, sufficiently attractive prices were not offered for the holding because prospective purchasers were not interested in RHM's milling and baking operations, which comprise 40 per cent of its business.

Mr Goodman said: "Ironically not only is this one of our important core businesses, but one on which we seek to build a truly international business in milling and baking." The group was therefore, "evaluating proposals which ... might provide a more favourable outcome for us."

Mr Goodman emphasised that the decision to offer the shareholding for sale "did not indicate a change of mind on the benefits of this merger." The idea was to see what price could be obtained because RHM, "although our preferred option, is not the only opportunity in Europe."

Mr Duncan McDonald, managing director, confirmed in his address the group's determination to become more international through investments that matched its core businesses.

Meneba, the Dutch-based flour miller and baker acquired this year, had an annual turnover of A$500m "and provides us with a very useful beachhead in continental Europe," he said. Small acquisitions would be made to take advantage of market opportunities in Europe, he indicated.

Degussa sales rise by 16%

By **Our Financial Staff**

DEGUSSA, the West German chemicals and precious metals group, said yesterday its group sales rose 16 per cent to DM13.6bn ($7.84bn) in the year ended September 30, from DM11.7bn in fiscal 1987.

In an interim report Degussa said its earnings were "highly satisfactory" in fiscal 1988.

Degussa said that excluding the value of precious metals from its sales, total group turnover rose 34 per cent in the year. Of that rise, 26 percentage points were attributable to the first-time inclusion of the turnover generated by pharmaceutical company Laboratoires Sarget and high-tech group Leybold-Heraeus GmbH, both acquired in 1987.

Sodexho lifts earnings

By **George Graham** in Paris

SODEXHO, the French catering services group, has increased net profits in the year ended August 31 to FFr111.6m ($18.85m), with sales up 24 per cent to FFr7.1bn.

The group, which specialises in contract catering for companies, schools, hospitals and municipalities, has been developing its use of new food technologies, such as vacuum cooking and deep frozen products.

Next year, it will more than double the quantity of dishes bought in from outside suppliers to 10 per cent of the total number of portions it serves.

Mr Pierre Bellon, Sodexho's chairman and controlling shareholder, said he was still in favour of an alliance with another group to aim for world leadership in the catering areas.

"So far, my incantations have not been answered," he said, noting that the major UK catering groups had let him know that they were not for sale.

Sodexho has, however, made its way into the UK market by another entry, winning a contract for catering services at a Scottish public hospital. Mr Bellon said the privatisation of hospital services in the UK had not been a success, since in-house services were able artificially to reduce their tender prices.

Almost all of the private sector contractors which had won NHS hospital tenders were losing money on them, he said.

Aker may face bourse suspension over Saga deal

By **Karen Fossli** in Oslo

AKER, the large Norwegian industrial company, could face penalties and/or possible suspension from the Oslo bourse for failing to report the purchase option agreed for the sale of its 20 per cent stake in Saga Petroleum to Total Marine Norsk, the Norwegian subsidiary of Paris-based Total-CFP.

According to Oslo bourse trading laws, share sales transactions undertaken must be reported on the day on which they occur or when a contract is signed.

Aker and Total entered into a so-called purchase option agreement on October 28, whereby Total agreed to pay NKr3.33m ($514,000) to Aker by October 30 for the right to purchase its 20 per cent stake in Saga. Aker, however, failed to report the transaction to the bourse until November 22, more than three weeks later.

At the time the transaction was made bourse officials sought to obtain a copy of the purchase option agreement from Aker. Aker, however, declined to submit a copy of the deal.

Last week Total announced that it had agreed to purchase for NKr620m Aker's 20 per cent stake in Saga and for NKr320m the Den norske Creditbank (DnC) 10 per cent stake in Saga.

The deal, however, foundered on Friday when Saga's board refused to amend the company's by-laws to increase foreign ownership.

● Bergesen, Norway's leading bulk shipowner, says it has acquired shares and warrants representing more than 50 per cent of Bulk Transport, the Bermuda-registered crude oil tanker owner, for $70m.

INTERNATIONAL COMPANIES AND FINANCE

The AMP takes international route

Chris Sherwell looks at the fresh strategy of a venerable institution

Rather like British newspapers and brewing companies before them, UK insurance groups are witnessing the arrival of a new Australian force on the local scene. It takes the form of the Australian Mutual Provident Society, known as the AMP.

For the bankers, accountants, lawyers and other professionals insured with London Life Assurance, the mutual life assurer, the discovery of the AMP has been rather abrupt and first hand. Their company, after some controversy, has agreed to merge with the Australian colossus, and hopes to win approval for the merger plan at a high court hearing in London next Monday.

This week the AMP named new top management for the UK operation, aiming to co-ordinate its existing activities with those of London Life, which it plans to develop as a leader in financial services.

AMP says the merger is merely the first step in a wider international expansion, and just one feature of a range of changes already under way.

As it is, the AMP, one of Australia's most venerable institutions, already dominates its environment. It enjoys a 30 per cent share of the A$5bn (US$4.37bn) a year Australian life assurance market, it has the country's largest portfolio of property and owns substantial chunks of the equity base of Australia's best-known companies. Surveys show practically all Australians have heard of the AMP, and more than half are aware of it as an insurance company over its competitors.

That does not mean it faces no competition. The life assurance market and the increasingly important pensions market are showing a growth trend of 16 per cent a year, and some 45 companies and five different state government insurance offices are battling for business among Australia's 16m population.

The AMP's biggest rival is the National Mutual, which has an estimated 22 per cent market share and is constantly seeking to narrow the gap. Competition among all participants manifests itself in high commissions to salesmen and sensational incidents of agent poaching, rather than the bonuses or other special features they offer prospective policy holders.

Earlier this year, the AMP's image as a shrewd investor received something of a knock from last year's stock market crash, when it revealed an embarrassing drop in the value of its shareholdings of A$4bn. But it was hardly alone in such an experience, and says now that it has since recouped most of that through the booming Australian property market.

The AMP has also tried to become involved in local banking. It linked up with Chase Manhattan, one of the newly arrived foreign banks, to form Chase AMP, but faces hot competition from the Big Four domestic banks. Interestingly, the local banks' attempts to move into insurance have also had a mixed reception.

The big question for the AMP in recent times has been where to head next. It has an embarrassment of options. It could have developed its Australian and New Zealand market, striving for a 40 per cent share, further diversified its interests out of insurance into banking or industry, or sought broader opportunities abroad.

Last year, the strategic decision was made to expand internationally, concentrating on life assurance and treating investment as a global business. Although it means "sticking to the knitting," it is still ticklish, inasmuch as present policyholders could ask whether their bonuses would not increase more if the AMP simply expanded in the markets it knew best.

The AMP's answer is that the scope for growth at home is not that great and certainly increasingly difficult as the competition intensifies. It also insists that internationalisation will not be at the expense of its home base.

The AMP's most intriguing target under this strategy is to have more than half its business offshore within five years. Currently, it has some A$27bn of funds under its management, of which a fifth comes from existing operations abroad.

It does not take a mathematical genius to work out that, by 1993 or so, the AMP wants its asset base to approach A$60bn through an approximate sixfold increase in the size of its offshore business. On that basis, the merger with London Life, while adding some A$4bn to the figure, looks relatively small beer.

This does not mean the UK acquisition will necessarily be swamped. On the contrary, Mr Ian Salmon, the AMP's chief general manager international, calls the merger "pioneering" because the AMP, whose name is less well known in the UK than London Life's, is seeking to preserve and capitalise on London Life's identity.

But Mr Salmon plainly has bigger fish to fry. He is understandably reluctant to talk about specific acquisition targets or the amount of money the AMP is prepared to spend achieving its goal. But he freely confirms that the group is looking at Europe, the US and the Asian countries on the Pacific Rim, including Japan.

The UK was obviously the easiest place to start because of the similarities with Australia's insurance scene.

But there is another attraction. London is now attracting continental European groups, partly because of the impending arrival of a single European market in 1992, but mainly because of the skills and expertise available in British insurance companies.

As Mr Salmon puts it: "This raises possibilities for us, as we have the same skill base and experience as the UK offices. As best as we can judge, we have excellent opportunities in Europe as it moves over the decade towards much greater maturity in life assurance terms."

Mr Salmon does not minimise the problems of expanding by acquisition into such relatively difficult markets as Europe and the US. South-east Asia, he acknowledges, is different again, while Japan is a special case where it is not even clear when an outsider might enter the market, let alone how.

"We want to see how far we can go," he says simply. And the need for speed is greater than ever. "Things are changing rapidly, and some opportunities – in Europe, or Hong Kong – are only available for a limited time."

While embarking on its international road, the AMP has also implemented organisational changes, in effect creating four separate divisions: AMP Australia, AMP International, AMP Investments and AMP Corporate. Each is an operating business unit reporting ultimately to Mr Ian Stanwell, managing director, but the effect is to shift responsibility further down the line.

The reorganisation follows findings by a firm of consultants that the AMP was experiencing strains because of ambiguous job roles and overlapping divisional responsibilities, a high organisational complexity with unsatisfactory accountability and control, and an autocratic tendency in its management style.

These changes in structure, together with those in strategy, mean that 1988 will go down as the year the AMP implemented the most comprehensive and important changes to its management organisation and day-to-day operations since it began business nearly 140 years ago in 1849. The success or otherwise of its emergence as an international force in insurance should take a much shorter period to determine.

NATIONAL Mutual Royal Bank, the Australian bank jointly owned by Royal Bank of Canada and National Mutual Life Association, lifted net profits for the year to September by 38.2 per cent to A$9.4m, AP-DJ reports from Sydney.

After an extraordinary gain of A$6.5m the attributable profit was A$15.9m, up from A$6.8m.

Mr Bill Gurry, managing director, said: "The result consolidates National Mutual Royal Bank's position in the marketplace and clearly establishes the financial and operational viability of our group."

Konica boosts pre-tax 39% in first half

By Michiyo Nakamoto in Tokyo

KONICA, the Japanese maker of photosensitive materials, lifted pre-tax profits 39.4 per cent to Y5.61bn for the first half to October, as sales rose 8.3 per cent to Y174.38bn ($1.43bn).

Konica was able to raise its operating profit by 71.4 per cent as a result of efforts to cut costs, which were unusually high last year due to a change in corporate name from Konishiroku Photo Industries.

Brisk sales of facsimile machines, films, cameras and other optical instruments were described as main factors contributing to the performance.

The company forecasts sales growth of 6.3 per cent for the entire year to Y350bn and an increase in pre-tax profit of 22.4 per cent to Y14.5bn.

Dainippon Printing profits rise to Y30bn

By Michiyo Nakamoto

DAINIPPON PRINTING, Japan's largest printing company, has reported pre-tax profits of Y30.14bn ($246.4m) for the first half-year ended September, equivalent to a 5.4 per cent increase over the first half of last year.

Exact comparisons were unavailable due to a change in the accounting term.

Sales amounted to Y427.68bn, up 10.4 per cent. Growth was helped by the launch of magazines and increased pagination in existing titles, which raised sales in the company's book and periodical printing division by 8.3 per cent.

Increased printing work for detergent containers boosted the company's carton box and special printing division, where sales rose 8 per cent.

Greater spending on research and development, however, resulted in a modest increase of less than 3 per cent in operating income.

Full-year pre-tax profits of Y874bn are forecast on sales of Y61bn, an effective increase on the previous 10-month returns adjusted to an annual basis.

Rate cuts hit Japanese power utilities' earnings

By Ian Rodger in Tokyo

JAPAN'S NINE electric power utilities all suffered profit declines in the six months to September because of rate cuts imposed by the Government and, in all but two cases, declines in sales.

Tokyo Electric Power, the largest, said the fall in its revenue was not as great as forecast, thanks to higher than expected industrial demand. The stronger yen and a higher operating rate of nuclear power plants also helped the company reduce costs.

Kansai Electric Power, the company serving the Osaka and Kobe areas, said the rate reductions reduced its revenues by about Y53bn ($425.1m), but a 4 per cent rise in power sales nearly offset lost revenue.

Chubu Electric Power, based in Nagoya, said electricity sales grew 5.5 per cent in volume terms because of increased industrial demand.

The power companies expect their results to remain depressed in the second half.

● Tokyo Gas and Osaka Gas, Japan's two leading gas utilities, both suffered profit declines in the six months to September, but Osaka Gas had considerable success in offsetting the effects of a rate cut with improved sales.

Pre-tax profits of Tokyo Gas tumbled 24.5 per cent to Y14.1bn in spite of a 3.5 per cent increase in revenues to Y307.4bn. The company said the profit reduction was due to a reduction in gas rates, imposed by the Government because of cuts in the price of imported gas.

It also had a higher deficit in its non-operating account due to the costs of launching a Y2.8bn convertible bond issue. Net profit dropped 21 per cent to Y11bn or Y4.05 per share.

Osaka Gas said its pre-tax profit was down only 1.5 per cent to Y11.3bn on better than expected sales, up 2.2 per cent to Y247.7bn.

JAPANESE ELECTRIC POWER COMPANIES

	Revenue Ybn	%	Pre-tax profit Ybn	%
Chubu	830.9	+0.2	64.5	-6.5
Chugoku	402.3	-0.2	27.9	-13.1
Hokkaido	207.2	-2.5	15.5	-11.8
Hokuriku	178.3	+0.3	12.4	-1.1
Kansai	1,028.5	-1.5	57.6	-35.9
Kyushu	528.6	-0.2	33.2	-15.7
Shikoku	197.9	-0.4	19.4	-19.0
Tohoku	504.3	-1.2	28.6	-14.4
Tokyo	1,961.6	-2.1	104.2	-24.5

Parent company results, half-year to September

INTERNATIONAL CAPITAL MARKETS

Bank of Tokyo launches option-backed dollar issue

By Dominique Jackson

ATTENTION IN the Eurobond market yesterday focused on reports that four or five major financial institutions were set to tap the dollar straight sector with bonds carrying a call option. In the event, only one finally emerged against a background of lacklustre secondary markets with prices finishing marginally firmer, where changed, in extremely low volumes.

Dealers said the market saw some consolidation in the wake of Monday's rise in oil prices and US prime rates. Trading was quiet ahead of the revision to US third-quarter Gross National Product data and little business was done afterwards, although the upward revision, at 2.6 per cent, was slightly better than expected and provided some support for bond prices. Dealers anticipate that trading will remain subdued ahead of upcoming US employment data, which have proved to be an influential market mover over the last few months. November's statistics are due on Friday.

Bank of Tokyo Capital Markets brought a seven-year issue with a call after four for a unit of its parent bank which is also the guarantor of the deal. The arrangement follows two similar issues for SEB and BNL and carries a 10 per cent coupon. Syndicate managers at other houses said the bulk of the demand for these deals had originated in Japan, with strong antipathy to the call feature remaining among investors in most other countries.

One senior syndicate official commented that Japanese investors, far from suddenly warming to the call, were instead concentrating on the size of the coupon, which is extremely attractive given the top credit rating of the borrowers that have so far issued this paper. The call has also enabled the lead managing houses to offer an attractive coupon and achieve the borrowing targets of the issuer. A plain vanilla deal would probably have to come at a much lower level, around 9¼ to 9⅜ per cent, to reach these targets.

Since Bankers Trust led the first such deal last week, there has been considerable interest in the structure, but many houses have apparently held back, unsure of being able to place the paper. Those who did locate pockets of potential interest reportedly sold their commitments into Tokyo at a profit, but this demand, if not already satiated, is expected to dry up shortly and any subsequent deal could have a fairly rocky ride. Dealers said some houses which joined co-management groups for relationship reasons had either sold their bonds back through the brokers or were sitting on their positions in the hope of placing them in Tokyo at a later stage.

Elsewhere in the market, Daiwa Europe led a $100m equity warrant issue for Sumitomo Rubber Industries, which was bid at 104½, a healthy premium to its par issue price. Prices of new deals in the Japanese equity-linked sector continue to be well supported by shortage of supply.

Dutch bank lobby aims to initiate discussion

By Laura Raun in Amsterdam

DUTCH bankers, a gentlemanly and reserved lot, are forming a new lobby group to sharpen their public image and present a more united front on divisive issues.

Mr Roelof Nelissen, chairman of Amsterdam-Rotterdam Bank, said yesterday that the most urgent task facing the new Association of Dutch Banks was improving "public relations." For example, customers and politicians needed to be made aware of the costs as well as the benefits of electronic banking.

As the Netherlands moves – somewhat belatedly – into the era of electronic banking, financial institutions have differed deeply over payments clearing systems and the introduction of service fees.

"The initiative is intended to make consultations among Dutch banks more transparent and accessible to organisations and persons," the official statement said. "The banks expect the establishment of the association to improve the internal consultative structure as well as the external promotion of interests on a national and international level."

The new association is a response to several important trends. One is the growing power of consumers, who are flexing their muscles in The Hague and Brussels after years of failing to use their influence in the overbanked Netherlands.

A second is the blurring of lines between traditional banking sectors so that the interests of universal, savings and co-operative banks are more aligned.

Third, price cartels have crumbled as the European Commission has ordered Dutch banks to stop agreeing uniform fees for services.

Finally, the unification of European markets in 1992 requires a more common front from Dutch banks than is possible under the existing Bankers Association, which keeps a much lower profile than its European counterparts.

The association will serve as an umbrella for several existing groups and is expected to have more than 100 members. It will be open to all banks registered in the Netherlands, including about 43 foreign ones.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Bk of Tokyo (Curacao)(e)♦	100	10	101.675	1996	1⅞/1¼	Bank of Tokyo C.Mkts
Sumitomo Rubber Ind.♦	100	(4⅜)	100	1992	2¼/1½	Daiwa Europe
Final terms fixed on:						
Nissho Iwai(a)♦	300	4½	100	1992	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
WestLB Int. (Lux)♦	75	14¼	101½	1992	1½/1	WestLB
D-MARKS						
Commerzbank O'seas‡♦	500	(b)	100	1993	15/7½bp	Commerzbank
Helaba Luxembourg♦	75	5½	101	1994	n/a	Hessische Landesbank
SWISS FRANCS						
Japan Development Bk(f)♦	200	4⅝	101⅜	1997	n/a	UBS
Shochiku Co.★★♦	50	4⅝	100¼	1993	n/a	UBS
Gotabanken(c)★★♦	32	5	100¼	1993	1⅞	Nordfinanz-Bank
Daito Seiki Co.(d)§★★	80	(½)	100	1993	n/a	Banca del Gottardo
DANISH KRONER						
Genoss'liche ZB-Vienna♦	300	9¼	101¼	1994	1⅞/1¼	Sparekassen SDS

★★Private placement. ΦWith equity warrants. §Convertible. ‡Floating rate note. ♦Final terms. a) Coupon cut by ¼% from indication. b) Coupon pays 6-month Libor. c) Subordinated. Call after 3 years at 101 declining ½% p.a. d) Indicated put option 31/3/91 at 107⅞ to yield 3.852%. e) Call at 100 Jan.1993. f) Call 1993 at 101 declining ¼% p.a.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	93⅞	93⅞	+0⅛	-0⅛	9.88
Amer. Brands 8⅞ 92	150	†94⅞	95⅛	0	0	10.56
A/S Eksportfinans 7⅞ 92	150	93⅛	93⅝	-0⅛	-0½	9.78
Barc. Bk. Fin. 10¼ 89	200	†100½	101	0	+0⅛	9.43
B.F.C.E. 7 92	150	92⅛	93⅛	0	-0¼	9.61
British Telecom 7⅞ 96	250	88⅞	89⅞	+0⅛	-0⅛	9.66
Cal. Natl. Telecom 8⅛ 93	160	†95⅛	95⅝	0	-0½	9.83
Canada 9 96	1000	97⅞	98⅜	0	-0⅛	9.40
Canadian Pac 10¾ 93	100	†101⅞	102¼	-0½	-1	10.14
C.C.C.E 9¼ 95	300	98	98½	+0⅛	-0⅛	9.62
C.N.C.A 9⅞ 93	150	98⅞	99⅞	+0⅛	-0½	6.62
Credit Lyonnais 9 91	200	98½	99⅛	0	-0⅛	9.60
Credit National 8¼ 93	200	94⅛	95⅛	0	-0½	9.67
Credit National 7⅞ 92	100	93⅞	94⅞	0	-0⅛	9.54
Credit National 7¾ 91	150	93⅛	94⅛	0	-0¼	9.61
Dai-Ichi Kan 9⅝ 92	150	99⅝	100⅛	-0⅛	-0⅛	9.64
Denmark 7¼ 92	500	92⅛	93⅞	-0⅛	-0⅛	9.70
E.E.C. 7 91	100	93½	94⅛	-0⅛	-0⅛	9.48
E.E.C. 7¼ 93	250	92	92½	0	-0½	9.53
E.E.C. 8 90	350	97½	98⅛	-0⅛	-0⅛	9.47
E.I.B. 7⅝ 93	150	92⅛	92⅝	0	-0½	9.56
E.I.B. 9⅜ 97	150	98⅜	99	0	-0⅝	9.60
Elec. De France 9 98	200	95½	96	+0¼	-0½	9.70
Finland 7⅞ 97	200	89⅛	89⅞	0	-0⅝	9.77
Finland 7½ 93	200	91⅛	92⅛	-0¼	-0⅛	9.69
Finn. Exp. Cd. 8½ 92	200	96½	97	-0⅛	-0⅜	9.67
Ford Motor Credit 8 91	250	96⅛	96⅜	0	-0⅛	9.72
Gen Elec Credit 10¼ 00	200	100	100⅛	-0⅛	-0⅛	10.21
Gen. Mtrs. Corp. 9⅛ 92	200	98⅛	98½	-0⅛	-0⅛	9.69
Halifax BS 9½ 93	200	†98½	99	-0⅛	-0⅝	9.82
IBM Credit Corp. 8⅞ 91	250	98⅜	98⅞	-0⅛	-0⅛	9.42
Italy 9 90	1000	99⅛	99⅞	0	0	9.20
Lib. Mutual Cap. 9⅛ 93	150	97⅛	98⅛	0	0	9.68
L.T.C.B of Japan 8 91	100	95⅛	96⅛	0	-0¼	9.72
L.T.C.B. of Japan 8 97	200	89⅞	90	-0⅛	-0⅛	9.91
Mercds-Benz Cd. 8½ 95	100	†94⅛	94⅞	0	-0¼	9.70
Metropolis Tokyo 9⅛ 93	200	99⅛	100⅛	-0⅛	-0⅛	9.49
Morgan Guaranty Tst. 7 90	150	96½	97⅛	-0⅛	-0⅛	9.76
Norway 8⅛ 93	500	97⅛	97⅞	0	-0½	9.47
Pepsico Inc 7⅞ 93	200	†91⅛	91⅞	0	0	9.80
Portugal 8¼ 91	300	96½	97⅛	0	-0⅛	9.85
Prudential Crp. 8⅞ 94	125	96⅞	97⅛	0	-0⅛	9.47
Qantas Airways 10⅛ 95	140	102⅛	103⅛	0	-0⅛	9.72
Rep. of Italy 9½ 95	1000	99⅛	99⅞	-0⅛	-0½	9.60
Saskatchewan 10⅛ 92	100	103⅛	103½	-0⅛	0	9.51
State Bk S Aust 9¼ 93	100	98	98½	0	-0½	9.76
Sumitomo Bank 9⅝ 92	150	99⅞	100⅛	+0⅛	-0⅛	9.56
Swed Exp Cred 7¼ 91	100	†93⅞	94⅛	+0⅛	-0⅛	9.66
Swed Exp Cred 10 92	100	†100⅞	100⅞	-0⅛	-0⅛	9.74
Sweden 7 91	250	93⅞	94⅛	0	-0⅛	9.43
Sweden 7 92	250	†92⅞	93⅞	0	-0⅛	9.57
Sweden 8⅛ 96	200	95⅛	95⅞	-0⅛	-0⅛	9.62
Sweden 8½ 92	200	†97⅛	97⅞	-0⅛	-0⅛	9.26
Victorian Rep 11⅛ 92	150	105	105⅞	-0⅛	-0⅛	9.66
World Bank 7 92	300	†93⅞	93⅞	-0⅛	-0½	9.50
World Bank 9 97	300	96½	97	0	-0⅛	9.55
Yasuda Trust Fin 8½ 93	100	95	95⅛	-0⅛	-0½	9.85

Average price change... On day 0 on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	102⅛	102⅝	-0¼	0	5.50
Avis Fin. SVS 5⅞ 92	100	101	101½	+0⅛	+0¼	5.44
Bank of Tokyo 5⅝ 93	100	100⅞	101⅛	+0⅛	+0⅛	5.44
Central BK. Turkey 7 92	200	103⅞	104⅛	-0⅛	-0½	5.80
Commerzbank o/s. 5⅛ 93	300	101	101½	0	0	5.03
Degussa Int. 6⅛ 97	200	100⅛	100⅞	-0⅛	0	6.02
E.I.B 5½ 98	150	95⅛	95⅞	0	-0⅛	6.12
E.I.B 6 97	300	99½	100	+0⅛	+0⅛	6.04
E.I.B. 6⅛ 96	300	100⅛	101⅛	0	-0⅛	5.95
E.I.B. 6⅛ 97	400	99⅞	100⅛	-0⅛	-0⅛	6.14
E.I.B. 6⅞ 95	300	104⅝	105⅛	+0⅛	-0⅛	6.00
Euro. Coal & Steel 5⅞ 97	175	98⅛	99⅛	0	-0⅛	6.07
Eurofima 6¼ 96	100	101⅛	101⅞	+0⅛	-0⅛	6.01
Elec De France 5⅞ 97	300	98½	99⅛	0	-0½	5.93
Forsmark Krtg. 5⅛ 93	200	98⅛	98⅝	0	-0⅛	5.56
I.A.D.B. 6 97	200	99⅛	99⅞	+0⅛	+0⅛	6.07
Japan Dev. Bk. 5⅝ 95	300	98⅛	99	-0⅛	+0⅛	5.63
Japan Finance 5⅞ 97	100	97⅛	98	0	+0⅛	6.12
Ireland 6½ 97	300	100⅞	101	-0⅛	-0⅛	6.35
Malaysia 6¼ 94	150	99½	100⅛	0	-0⅛	6.29
Nat. West BK. PLC 6 98	300	97⅛	98⅛	-0⅛	-0⅛	6.30
N.H.L. Finance 6¾ 95	200	†98⅞	99⅛	+0⅛	+0⅛	6.43
Nippon Telg. & Tel. 6 95	400	101⅛	102	-0⅛	-0⅛	5.99
Oesters. Kontbk. 5 93	300	98½	99⅛	0	0	5.30
Portugal 5⅛ 92	150	101⅛	101⅞	+0⅛	+0½	5.28
Portugal 6⅛ 95	150	102	102⅛	0	-0⅛	6.19
Privatbanken 5⅛ 93	150	98⅛	98⅞	+0⅛	+0⅛	5.65
Royal Insurance 5½ 92	300	101⅛	101⅞	+0⅛	+0⅛	4.99
Soc Cent Nuclear 7¼ 95	150	104	104⅛	+0⅛	+0⅛	6.40
Turkey 6½ 95	500	97½	98	0	0	6.93
Westlb. Finance 5 93	200	†99	99⅛	+0⅛	+0⅛	5.23
World BK. 6⅛ 97	600	100⅛	101	+0⅛	-0⅛	6.08

Average price change... On day +0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev. Bk. 5 96	150	†101	101⅛	+0⅛	-0⅛	4.82
Asfinag 5 03	100	†101½	102	+0⅛	+0⅛	4.83
B.F.C.E. 4½ 98	200	†98⅛	99	0	+0⅛	4.64
B.M.W. Fin. Neth. 5 13	150	†96½	96⅛	0	+0⅛	5.25
Britannia B/S. 4⅛ 94	100	†97	97⅛	-0⅛	-0½	4.80
CIR. Int. W/W 3 93	125	†99⅞	100	0	+0⅛	3.03
Credit Lyonnais 4¾ 00	100	†97⅞	98½	0	-0⅛	4.96
E.I.B 4⅝ 98	100	†99	99⅛	-0⅛	-0⅛	4.70
Fletcher Chall. 4⅞ 98	150	†96⅞	97	0	+0⅛	5.32
Kobe City 4⅝ 98	150	†98⅛	98⅛	0	-0⅛	4.80
Leeds Perm. B/S. 4½ 93	200	†97⅛	98	0	-0¼	4.70
Malaysia 5⅛ 98	100	†98½	99	-0⅛	0	5.42
Maxwell Comm. Crp. 5 95	150	†100⅛	101⅛	+0⅛	0	4.81
Nationwide Ang. B/S. 4 93	200	†96⅛	97	0	0	4.78
Nippon Telg. & Tel. 4⅛ 95	200	†98⅛	99	+0⅛	0	4.44
Oesters. Ktbk. 5 03	75	†100	100⅛	+0⅛	+0⅛	4.96
Rep. National Bk. 4 93	150	†97	97½	0	+0⅛	4.32
Thailand 4⅝ 95	200	†96⅛	96½	+0⅛	0	5.28
World Bank 5 03	150	†101	101½	-0⅛	-0¼	4.88

Average price change... On day +0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅛ 92	55	102⅛	102½	+0⅛	-0⅛	4.71
Belgium 4⅝ 94	45	98⅛	98⅝	-0⅛	-0½	4.94
Canada 4⅝ 92	80	98⅞	99⅛	-0⅛	-0⅛	4.68
Elec. De France 5⅛ 94	20	100⅝	101⅛	0	-0⅛	4.87
Ireland 5⅛ 93	30	99⅞	100⅜	0	-0⅛	5.08
Norway 5⅛ 95	50	101	101⅞	+0⅛	-0⅛	4.91
Rep. of Italy 5⅛ 92	150	103⅛	103⅝	+0⅛	-0⅛	4.63
Sweden 4⅝ 93	50	99⅞	99½	-0⅛	-0½	4.78
World Bank 5½ 92	50	103	103⅛	0	-0⅛	4.58

Average price change... On day +0 on week -0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97⅛	97⅝	-0⅛	-1¼	11.04
Alg. Bk. Ned. 5½ 92 FL	150	98⅞	99⅛	+0⅛	-0⅛	5.79
Alg. Bk. Ned. 5⅛ 93 FL	200	98⅝	99⅛	0	0	6.05
Amro Bank 6¼ 92 FL	150	101	101⅛	0	0	5.85
Aust. Ind. Dev. 12⅞ 93 A$	100	96⅛	96⅞	0	0	13.85
Barc. Bk. 10¼ 97 £	250	94	94⅛	-0⅛	-2¼	11.32
Barclays Aus. 13⅛ 91	100	99⅛	99⅞	+0⅛	+0⅛	13.62
BP Capital 9⅛ 93 £	100	94⅛	95	-0⅛	-1⅛	11.30
British Airways 10 98 £	100	91⅛	92⅛	-0⅛	-2⅛	11.42
Buhrmann-Tet. 6⅛ 93 FL	100	100⅛	100⅞	+0⅛	+0⅛	6.20
Comm. Bk. Aust. 12⅝ 93 A$	100	96½	97	+0⅛	+0⅛	13.47
Coop. Ctr. Rabo. 6¼ 93 FL	100	100⅛	101⅛	+0⅛	+0⅛	6.00
Coop. Ctr. Rabo. 6 92 FL	200	100⅛	100⅞	+0⅛	+0⅛	5.79
Denmark 7⅛ 92 ECU	100	†102⅛	103⅛	-0⅛	-0⅛	6.65
Dixons 11 95 £	90	†95⅛	96⅛	+0⅛	-1⅛	11.80
Deut. Bk. Aust. 12⅛ 95 A$	70	99⅛	99⅝	0	+0⅛	12.86
Eastman Kodak 13 90 A$	100	97	97½	+0⅛	0	14.79
E.I.B. 7 96 LFr	100	†98⅛	99⅛	-0⅛	-0⅛	7.22
Elec. France 10¼ 95 C$	125	†99	99⅛	-0⅛	-1⅛	10.39
Euratom 7⅞ 97 ECU	145	†96	96½	-0⅛	-0⅛	7.99
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†97⅛	97⅝	0	-0⅛	10.59
Ford Cr. Can. 10⅛ 93 C$	100	†99⅛	100⅛	0	-1⅛	10.72
Gillette Can. 9⅝ 93 £	70	92⅛	92⅞	-0⅛	-2⅛	11.76
G.M.A.C. 9⅛ 93 C$	150	†97	97⅛	0	-1⅛	10.52
G.M.A.C. 9⅛ 92 C$	75	†95	96	0	0	10.83
G.M.A.C Aus. Fin. 14 90 A$	50	98⅞	99⅛	+0⅛	0	14.48
Halifax BS 10⅛ 97 £	100	94½	95⅛	0	-2	11.37
Imp Chem Inds 10 03 £	100	94	94⅛	0	-1	10.81
Inv. Industry Int. 10 93 £	60	95⅛	95⅞	+0⅛	-1⅛	11.26
Lloyds Bank 10⅛ 98 £	100	92⅛	93⅛	+0⅛	-2	11.49
Montreal Tst. 10⅛ 93 C$	100	†98⅞	99⅛	-0⅛	-1½	10.96
Nat. West. Bk. 13⅛ 92 A$	50	†99⅞	100⅛	+0⅛	+0⅛	13.16
Nationwide BS 10⅛ 93 £	75	94⅞	95⅛	+0⅛	-1⅛	11.62
Ned. Midd. Bank 6 92 FL	150	100	100½	0	+0⅛	5.90
New Zealand 9½ 93 £	100	93⅛	93⅞	-0⅛	-1⅛	11.38
New Zealand 7⅛ 93 ECU	200	†100⅛	100⅞	-0⅛	-0⅛	7.56
Oesters. Ktbk. 13⅛ 94 A$	75	100⅛	101⅛	+0⅛	+0⅛	13.32
Philips Gloeil. 6 93 FL	300	100⅛	100⅞	+0⅛	+0⅛	5.83
Prudential Fin. 9⅛ 07 £	150	89	89⅛	+0⅛	-0⅞	10.74
Royal Bk. Scot. 10⅛ 98 £	125	94⅛	94⅞	+0⅛	-2⅛	11.67
Saskatchewan 9⅛ 91 C$	150	†97⅛	98⅛	+0⅛	-1⅛	10.73
S.D.R. 7⅛ 95 ECU	90	†99⅞	100⅛	0	-0⅛	7.76
World Bank 5⅛ 92 FL	100	99⅞	100⅛	0	0	5.78
World Bank 13⅛ 92 A$	100	†100	100½	+0⅛	+0⅛	13.21
Zentrspk. 13⅛ 93 A$	75	98⅞	99	+0⅛	-0⅛	13.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.64	99.69	21/01	10.99
Belgium 91 US	0	100.11	100.20	21/02	9
Britannia 5 93 £	0⅛	99.87	99.92	10/01	12.12
Chase Manhattan Crp. 91 US	0⅛	99.48	99.65	22/02	8.94
Citicorp 98 US	†0¼	97.37	97.62	30/11	8.94
Credit Foncier 98 US	.063	99.55	99.65	20/10	5¼
EEC 3 92 DM	†0	101.01	101.11	22/02	5.63
Halifax BS 94 £	.1	99.76	99.81	8/02	12.29
Invt. in Industry 94 £	0	99.88	99.98	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.99	100.04	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.93	99.98	30/12	12.06
New Zealand 5 97 £	.07	100.08	100.16	20/02	12.16
New Zealand 5 01 US	0	99.77	99.87	4/02	8.62
State Bk. Nsw. 98 US	.188	100.25	100.35	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.89	99.95	13/01	12.12
Woolwich 5 95 £	0⅛	99.73	99.78	21/02	12.37

Average price change... On day 0.00 on week -0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101	102	-0⅛	19.01
Alco Health 6¼ 01 US	7/86	26.25	105⅛	107⅛	0	-1.04
Amer. Brands 7⅛ 02 US	9/87	56.7	105⅛	106⅛	+0⅛	12.07
Ashikaga Bank 2⅛ 02 US	4/87	967.	149⅛	150⅛	+4⅛	6.72
Asics 5 92 DM	12/83	472.7	204⅛	205⅛	+5⅛	4.22
CBS. Inc. 5 02 US	4/87	200.	90	91	0	9.04
Fujitsu 3 99 US	5/84	1106.	265½	266½	+11⅛	5.66
Land Secs. 6⅛ 02 £	6/87	6.72	98	99	+0⅛	[illegible]
MCA Inc 5½ 02 US	9/87	69.62	79½	80½	+0⅛	30.29
Minolta Camera 2¼ 94 DM	2/86	1004.	97	98⅛	-0⅛	20.86
Mitsubishi Bk. 1⅛ 02 US	9/87	3157.	136⅛	137⅛	-0⅛	0.81
Mitsui Trust 2⅛ 01 US	10/86	1903.	139	140	+0⅛	1.23
Next Plc 5⅛ 03 £	11/87	4.3	98⅛	99⅛	+0⅛	164.41
[illegible] 2⅛ 03 US	4/88	804.	114⅛	115⅛	+0⅛	11.92
[illegible] 2⅛ 02 US	4/87	1310.	218⅛	219⅛	+8	4.79
Primerica 5⅛ 02 US	4/87	66.75	64	65	0	55.82
Ranks Hovis 4⅛ 03 £	1/88	3.5	108⅛	109⅛	-0⅞	5.61
Redland 7⅛ 02 £	1/87	5.4	90⅛	91⅛	+0⅛	17.40
Saatchi&Saatchi 6⅛ 03 £	10/89	4.41	98⅛	99⅛	+0⅛	28.84
Texas Inst. 2⅛ 02 US	9/87	82.87	71	72	+0⅛	67.48
W.R. Grace 6⅛ 02 US	9/87	42.12	80⅛	81⅛	-0⅛	35.99

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Fitch takes rest of Euroratings

By Stephen Fidler, Euromarkets Correspondent

FITCH Investors Service, the US ratings agency, has taken over the 60 per cent stake it did not own in the London-based credit rating firm, Euroratings.

The stake has been bought for an undisclosed sum from its two Belgian shareholders, Société Générale de Belgique and Cobac, the credit insurance firm of which La Générale owns directly and indirectly about 95 per cent.

La Générale, which owned a 45 per cent stake in Euroratings through its Tanks subsidiary, has indicated it intends to sell subsidiaries and affiliates in the financial services sector over which it has no operational control. It recently sold its stake in the London arm of Dillon Read, the New York investment bank.

The stake in Euroratings was only taken earlier this year and the terms of the sale were not disclosed.

Mr Richard Cacchione, Fitch's president, said Fitch intended to reduce its stake from 100 per cent, and was in discussions with other potential European shareholders. Talks were furthest advanced with a firm in the information and financial services business, an agreement with which was possible in the near future.

Euroratings was established in 1985 by Fitch specifically to cater for the Euromarkets, with the idea that it should be substantially owned by Europeans.

Although in some ways the first to recognise the niche in the Euromarkets, it has struggled to build its business in the face of strong competition from the two larger US ratings agencies, Standard and Poor's and Moodys, and is still unprofitable.

Mr Cacchione said the decision by La Générale to sell the stake was not a reflection on its profitability, which it was widely recognised would be slow in coming.

High French trade deficit fails to depress market

By Norma Cohen in London and Anatole Kaletsky in New York

A FRENCH October trade deficit of FFr4bn, well above the mainstream of market expectations, failed to depress government bond markets from their opening levels. Indeed, benchmark OATs registered slight gains in fairly active trading.

Dealers said that while the trade deficit might have been over target in October, a small surplus had been registered the previous month and the year's total trade deficit, at FFr27bn, was still within government forecasts.

The Treasury said that it would auction on Thursday FFr7bn to FFr9bn in new government bonds, consisting of a new tranche of the 8.70 per cent OATs due 1995 and the 8½ per cent OATs due 2012. There would also be a tranche of floating rate securities sold.

UK government gilts gained as much as ¼ points among longer dated issues, with buying encouraged by firm re-affirmation of the Chancellor's anti-inflationary policy in a speech before Parliament.

The latest rise in UK base rates has also boosted demand for sterling and the currency showed a further rise against the dollar and DM. However, gilts dealers said the strong currency was doing little to attract foreign investors to the bond markets.

One reason is that the sharply inverted yield curve – the longest-term interest rates are over 150 basis points below the shortest – results in so-called negative carry. This means that investors must borrow money at higher rates to buy securities producing lower rates. For domestic UK investors who must keep funds in sterling, there is little choice. But foreign investors see little point.

Also, the shrinkage seen in the overall gilts market as a result of the UK Treasury's full funding policy is making it increasingly illiquid. Dealers said that investors in the US and Japan cited the diminishing liquidity of the Treasury's 13 per cent stock due 2003/2007 as a good reason to avoid gilts, despite the advantages of holding such a strong currency.

JAPANESE government bond prices closed sharply higher, with a surge of buying during the Tokyo trading day sparked by the Bank of Japan's unexpected introduction of liquidity to the money markets.

The half-point rise in US bank prime lending rates on Monday had led JGB traders to adopt short positions, in case a rise in the US discount rate was matched by similar rate rises in Japan. Therefore, the Bank of Japan's purchases of securities on Tuesday were seen as an effort to assuage those fears.

The bank purchased Y4bn of two-week bills at 4¼ per cent and traders said it was seen informally lending money to brokers at similar rates. The benchmark 105 bond yield fell 10 basis points in Tokyo to 4.59 per cent and fell further to 4.57 per cent in London. The strength of the currency and a downward revision to third-quarter US GNP helped support the bonds.

Meanwhile, the number 111 JGB, pegged as a possible benchmark replacement, also fell 12 basis points in yield, trading at 4.66 per cent in London.

In West Germany, details were announced for a new 10-year federal bond. It will total DM4bn and carry a coupon of 6⅝ per cent and an issue price of 99¾ to yield 6.41 per cent.

GOVERNMENT BONDS

A STABLE dollar and a marginal decline in oil prices more than offset evidence of a slightly stronger economy in the third quarter and led to gains in US bond prices yesterday morning.

The Treasury's benchmark long bond was modestly higher throughout the morning and traded by early afternoon 98⅝, up ⅛ on Monday's close. The bond yielded 9.119 per cent at this price. Money market rates were also slightly below the previous day's level, with Federal Funds fluctuating all morning between 8⅜ and 8⅞ per cent. The Fed injected liquidity, estimated at between $3bn and $4bn, through two-day system repurchase agreements.

The main event in a generally quiet day was the upward revision of the Commerce Department's gross national product statistics for the third quarter – to an annual rate of 2.6 per cent in the third quarter, against the initial estimate of 2.2 per cent and the second quarter's final figure of 3 per cent.

Inflation in the third quarter was also revised upwards, to 5.1 per cent, from the originally reported 4.9 per cent. The fixed-weight index has thus risen by over 5 per cent for two consecutive quarters – the first time in the US since 1982 that broad-based inflationary pressure has persisted at this level.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-18	+2/32	11.00	10.42	9.99
		8.750	9/97	91-20	+4/32	10.22	9.88	9.53
		9.000	10/08	98-10	+4/32	9.18	9.09	8.94
US TREASURY		8.875	11/98	98-08	+2/32	9.14	9.13	8.70
		9.000	11/18	98-19	+4/32	9.14	9.19	8.81
JAPAN	No 105	5.000	12/97	102.7583	+0.771	4.57	4.55	4.60
	No 2	5.700	3/07	108.1389	+0.521	4.86	4.84	4.90
GERMANY		6.750	8/98	102.0250	-0.725	6.48	6.40	6.28
FRANCE	BTAN	8.000	10/93	97.7851	-0.038	8.58	8.57	8.37
	OAT	9.500	5/98	104.8000	-0.125	8.75	8.79	8.60
CANADA		10.250	12/98	100.7500	+0.125	10.13	10.07	9.70
NETHERLANDS		6.7500	10/98	102.0600	-0.100	6.53	6.46	6.35
AUSTRALIA		12.500	1/98	100.1432	+0.349	12.46	12.20	11.90

London closing, *denotes New York morning session
Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Bank of France lets down the drawbridge

George Graham on the central bank's tradition-breaking rationalisation proposals

The Bank of France is about to embark on its first strategic plan since its foundation in 1800.

For an institution that has spent most of the last two centuries firmly enclosed within its stout walls in the heart of Paris, the plan represents a determined attempt to modernise operating structures and to come to grips with the tasks of a central bank at the end of the twentieth century.

It plans to expand these activities, while maintaining its traditional roles in the monetary sector.

The outline plan responds in part to the three-week strike that hit the Bank of France last December, paralysing France's cash distributor machines by blocking deliveries of new bank notes from its printing works at Chamalières.

However, although the plan, covering the next five years and due to be finalised in January, is an indication that the central bank thinks it knows where it is going, it may not reassure all of its 17,000 employees.

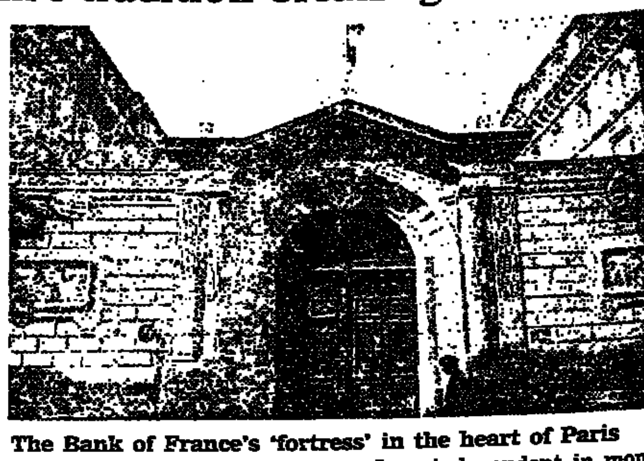
For, despite measures aimed at retraining many staff members, the plan foresees large cuts in several of the Bank of France's principal activities, especially the branch network and the payment systems division.

The Bank of France has 233 branch offices around the country employing over 7,000 people – more than the entire Bank of England, which has only five branches.

The branch network was last remodelled in 1976 but, in the view of most senior officials at the central bank, remains overweight in a large number of regions. The task of looking at the network will be entrusted to an external committee, although branch closures are difficult since most local employees are unwilling to be redeployed in other branches.

Staffing in the note handling and payments systems divisions, too, will have to be reduced as operations are increasingly automated, but the workforce in areas such as computer operations and banking supervision is expected to grow.

Meanwhile, the personal banking sector has been given five years to prove that it can break even. The Bank of France's most important clients are clearly financial institutions, but it has a total of 76,000 accounts, five times as many as its English counterpart, and values this customer base as a window on to the development of commercial banking operations.



The Bank of France's 'fortress' in the heart of Paris

However, perhaps the most controversial area of development is into semi-commercial sectors, where the bank hopes to market its services and its knowhow, in competition, if necessary, with the private sector.

Less independent in monetary policy than the West German Bundesbank, less involved in the modernisation of financial markets than the Bank of England, the Bank of France has a wider range of activities than either in such areas as economic research and credit analysis.

The bank hopes to develop its database of 23,500 company balance sheets and the associated Aide corporate diagnosis service, due to start early next year. In other countries these types of service are often provided by private-sector institutes, but the Bank of France hopes to negotiate with other central banks, and then with private organisations if necessary, to extend its range of information to other European countries.

The same European development could eventually take place for the corporate credit database, dubbed Fiben, which supplies accounting information and short-term credit ratings to 730 banking and credit institutions in France. This service aims to increase its customer base to 1,100 or 1,200 in two years.

Other sectors where the Bank of France plans to market its skills overseas include banknote printing and security consultancy.

However, private-sector competitors may start to howl when the French central bank starts treading on their turf, with an avowed aim of simply balancing its income with its costs.

For, although the Bank of France made net profits of FFr2.6bn ($426m) last year, these came largely from its role in the management of French monetary policy.

World securities council plan

By Stefan Wagstyl in Tokyo

THE WORLD'S leading associations of securities dealers are meeting in Tokyo next week to launch an international council to improve the exchange of information.

The founder members hope that the International Council of Securities Dealers Associations will help them keep in touch with the increasing internationalisation of many aspects of the industry, especially moves towards cross-border regulation.

The council is being established on the initiative of the Japan Securities Dealers Association, which approached other potential members this summer. The move reflects the increasing confidence of the Japanese industry in putting forward ideas to an international forum.

The other founder members are the National Association of Securities Dealers (Nasd) and the Securities Industry Association, both from the US; the Securities Association and the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra), both from Britain; and the Investment Dealers Association of Canada.

Mr Yoshiya Yoshikawa, a managing director of the Japanese association, said the initial object was to exchange information. However, it was possible that the new council might also play a part in lobbying regulatory bodies.

Citibank hopes to open Cyprus branch

By Andreas Hadjipapas in Nicosia

THE Consumer Services Group of Citibank hopes to open its first office in Cyprus next year, making it the first US banking organisation to set up business on the island.

Officials of Citibank have visited the governor of the Central Bank of Cyprus and formally applied for permission to open a branch in Nicosia for both domestic and offshore business.

Mr Peter Bellows, head of the bank's division for Europe, the Middle East and Africa, told a press conference that Cyprus was now developing into an important trading and tourist centre, presenting an opportunity for Citibank.

Japanese trust banks' profits down at half year

By Stefan Wagstyl in Tokyo

JAPAN'S LEADING trust banks suffered from a squeeze on their lending margins which hit profits in the six months to end-September.

A rise in long-term interest rates lifted the cost of raising funds while demand for loans was generally slack.

The four largest banks managed to increase unconsolidated profits at the pre-tax level, but profits fell at Chuo Trust and Banking and at Nippon Trust Bank.

Nippon expects a modest 7 per cent increase for the year as a whole, but Chuo expects full-year profits to be down by 16 per cent.

Mitsubishi Trust and Banking forecasts full-year profits of Y165bn ($1.4bn), slightly ahead of Sumitomo Trust and Banking at Y160bn. Mitsui expects a relatively sharp increase from Y116bn to Y130bn. Yasuda forecasts Y105bn.

JAPANESE TRUST BANKS

	Revenues Ybn	Revenues %	Pre-tax profits Ybn	Pre-tax profits %
Mitsubishi	649	+18.6	60.6	+6.3
Sumitomo	700	-0.7	60.0	+3.7
Mitsui	604	+10.4	58.6	+10.8
Yasuda	494	+9.9	52.6	+6.2
Toyo	457	+63.0	42.3	+2.0
Chuo	248	+28.6	14.5	-24.9
Nippon	65	+9.0	4.0	-27.1

Parent company results, six months to September 1988

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday November 29 1988

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Nov 28 Index No.	Fri Nov 25 Index No.	Thu Nov 24 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	782.57	+0.3	11.34	4.35	10.91	24.06	780.19	791.59	815.71	632.44
2 Building Materials (28)	968.77	+0.8	12.96	4.63	9.51	29.21	961.29	982.59	1016.25	799.57
3 Contracting, Construction (39)	1482.75	+0.7	13.16	4.39	9.91	46.04	1471.80	1512.82	1569.76	1185.63
4 Electricals (11)	2349.72	-0.2	9.14	4.81	13.21	76.55	2353.90	2372.13	2428.53	1827.47
5 Electronics (30)	1714.28	-0.2	10.51	3.67	12.32	43.59	1717.74	1723.95	1777.81	1375.46
6 Mechanical Engineering (55)	412.80	+0.6	10.95	4.41	11.19	13.59	410.37	414.46	429.85	317.88
8 Metals and Metal Forming (7)	481.24	-0.3	10.33	4.21	11.98	13.69	482.89	491.38	504.95	364.19
9 Motors (16)	269.89	-0.1	12.57	4.99	9.19	9.80	270.15	274.29	280.81	222.98
10 Other Industrial Materials (23)	1315.54	+0.3	10.69	4.61	11.71	44.22	1311.57	1328.17	1363.88	1118.36
21 CONSUMER GROUP (187)	1057.46	+0.1	9.84	3.91	12.76	27.98	1056.45	1065.63	1071.27	935.25
22 Brewers and Distillers (21)	1126.83	–	10.94	3.68	11.45	24.10	1126.47	1126.94	1147.29	895.22
25 Food Manufacturing (21)	924.37	–	9.56	4.11	13.22	26.17	924.40	933.68	956.73	745.77
26 Food Retailing (16)	1819.42	+0.1	9.47	3.76	13.44	46.95	1817.47	1826.40	1870.71	1396.85
27 Health and Household (12)	1884.62	+0.1	7.46	2.80	15.57	40.69	1882.40	1825.87	1859.19	1668.14
29 Leisure (31)	1377.88	+0.2	8.64	3.74	14.82	35.06	1375.00	1386.63	1422.81	988.29
31 Packaging & Paper (17)	527.67	-0.3	10.64	4.26	11.68	16.19	528.69	528.11	549.97	439.75
32 Publishing & Printing (19)	3329.76	+0.5	9.63	4.32	13.81	106.59	3313.25	3337.08	3446.88	2951.96
34 Stores (34)	716.51	+0.1	11.86	4.78	11.08	23.22	717.13	727.65	746.16	772.57
35 Textiles (16)	474.87	+0.3	14.58	5.87	8.23	18.17	473.43	484.31	497.74	518.36
40 OTHER GROUPS (92)	890.69	+0.6	11.57	4.64	10.55	24.69	885.65	891.96	909.91	767.99
41 Agencies (19)	1029.28	+0.3	8.56	2.78	14.71	20.90	1025.83	1036.89	1062.85	872.13
42 Chemicals (22)	1082.69	+0.6	12.74	5.35	9.45	41.04	996.57	1019.78	1037.54	931.53
43 Conglomerates (12)	1263.50	+1.6	10.60	4.55	10.76	25.26	1244.09	1240.99	1266.25	1043.82
45 Shipping and Transport (12)	1982.89	+0.3	11.87	4.98	11.08	62.48	1977.07	1981.40	1951.66	1594.98
47 Telephone Networks (2)	1067.47	+0.4	11.87	4.76	10.93	20.38	983.43	981.33	996.16	821.64
48 Miscellaneous (25)	1183.41	–	12.83	4.63	9.47	40.53	1182.99	1194.90	1219.82	1056.32
49 INDUSTRIAL GROUP (488)	945.06	+0.3	10.72	4.23	11.57	26.67	942.23	951.76	975.48	817.25
51 Oil & Gas (12)	1797.34	-0.2	10.84	6.55	11.81	76.82	1710.64	1720.23	1740.80	1512.02
59 500 SHARE INDEX (500)	1009.92	+0.2	10.73	4.55	11.60	30.89	1007.52	1017.14	1040.62	876.14
61 FINANCIAL GROUP (124)	686.39	+0.7	–	5.37	–	25.49	680.47	681.14	696.87	568.42
62 Banks (8)	677.25	+1.2	20.72	6.37	6.47	31.13	669.03	667.76	678.70	582.95
65 Insurance (Life) (8)	924.28	+0.5	–	5.74	–	39.81	919.45	923.85	947.25	847.77
66 Insurance (Composite) (7)	507.48	+0.3	–	6.16	–	24.84	505.95	505.26	516.60	448.44
67 Insurance (Brokers) (7)	905.54	+1.1	9.49	7.14	12.90	46.67	895.93	902.12	908.98	793.23
68 Merchant Banks (11)	328.33	+0.5	–	4.54	–	10.15	326.67	328.33	334.60	307.20
69 Property (52)	1288.43	+0.1	5.45	2.64	23.44	21.81	1266.18	1262.26	1289.35	859.81
70 Other Financial (31)	358.82	+0.4	9.82	5.48	12.72	14.72	357.07	358.74	363.25	339.79
71 Investment Trusts (76)	914.22	+0.6	–	3.28	–	29.78	909.05	914.40	930.33	757.44
81 Mining Finance (2)	562.06	-0.4	10.88	3.72	10.25	15.67	564.28	567.24	573.44	423.24
91 Overseas Traders (8)	1335.85	-0.2	8.69	4.67	13.34	44.98	1339.21	1362.25	1374.13	854.06
99 ALL-SHARE INDEX (710)	938.12	+0.4	–	4.59	–	29.10	926.87	934.36	955.23	795.51

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 28	Nov 25	Nov 24	Nov 23	Nov 22	Year ago
FT-SE 100 SHARE INDEX ♦	1786.9	+5.4	1793.5	1785.0	1781.5	1794.7	1833.0	1837.1	1821.3	1578.5

FIXED INTEREST

PRICE INDICES		Tue Nov 29	Day's change %	Mon Nov 28	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	118.37	+0.12	118.23	–	10.20
2	5-15 years	134.45	+0.07	134.35	–	11.64
3	Over 15 years	146.64	+0.23	146.31	–	13.10
4	Irredeemables	170.10	+0.35	169.50	–	13.38
5	All stocks	132.08	+0.11	131.93	–	11.43
	Index-Linked					
6	5 years	129.84	+0.08	129.73	–	2.81
7	Over 5 years	127.08	+0.15	126.83	–	2.96
8	All stocks	127.02	+0.13	126.86	–	2.95
9	Debentures & Loans	117.60	-0.02	117.90	0.28	11.14
10	Preference	86.86	-0.02	86.88	–	6.31

AVERAGE GROSS REDEMPTION YIELDS			Tue Nov 29	Mon Nov 28	Year ago (approx.)
	British Government				
1	Low	5 years	10.40	10.42	8.47
2	Coupons	15 years	9.52	9.53	9.22
3		25 years	9.18	9.19	9.13
4	Medium	5 years	10.80	10.81	9.87
5	Coupons	15 years	9.75	9.77	9.43
6		25 years	9.28	9.29	9.35
7	High	5 years	10.95	10.97	9.14
8	Coupons	15 years	9.89	9.89	9.57
9		25 years	9.33	9.35	9.58
10	Irredeemables		8.91	8.94	8.92
	Index-Linked				
11	Inflation rate 5%	5 yrs	3.59	3.62	2.57
12	Inflation rate 5%	Over 5 yrs	3.73	3.74	3.82
13	Inflation rate 10%	5 yrs	2.41	2.42	2.87
14	Inflation rate 10%	Over 5 yrs	3.56	3.56	3.68
15	Debs & Loans	5 years	11.25	11.36	10.61
16		15 years	11.01	11.06	10.59
17		25 years	10.77	10.77	10.59
18	Preference		10.29	10.29	10.53

♦Opening index 1791.4; 10 am 1792.2; 11 am 1789.6; Noon 1785.1; 1 pm 1785.9; 2 pm 1785.7; 3 pm 1786.2; 4 pm 1785.6; 4.05 pm 1785.6. (a) 9.14am (b) 3.15pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	7	24
Corporations, Dominion and Foreign Bonds	14	2	35
Industrials	429	327	820
Financial and Properties	208	100	360
Oils	30	22	54
Plantations	1	1	11
Mines	30	43	117
Others	68	90	90
Totals	860	592	1,511

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov 21
- Last Dealings Dec 2
- Last Declarations Feb 23
- For settlement Mar 6

For rate indications see end of London Share Service

Calls in Powerscreen, Regentcrest, Trinoco, Unigate, Eurotunnel Wts, Lucas, Bass, ICI, FR Group, Forward Tech, Chloride, Blue Arrow, SI Grp, Sun Oil, Costain, Charterhall, BOMS. Put in Tyndall. PCall in Control Secs.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*465)	460	23	40	53	15	24	34
	500	8½	21	33	45	48	53
Brit. Airways	140	19	25	–	2½	5½	–
[illegible]							

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Plessey (*211)	200	21	[illegible]	–	9	14	–
	220	18	[illegible]	22	18	21	26
	240	5	11	13½	34	35	39
[illegible]							

November 29 Total Contracts 44,31[illegible] Calls 26,[illegible] Puts 17,375
FT-SE Index Calls [illegible] Puts 7855
*Underlying security price.

UK COMPANY NEWS

Hambros up 5% despite fall in banking profit

By David Lascelles, Banking Editor

HAMBROS, merchant banking and financial services group, increased its profits by 5 per cent at the interim stage. All of the improvement came from outside banking.

Pre-tax profits for the six months to September 30 were £38.6m, up from £36.6m. The after-tax result rose from £20.9m to £21.1m. The dividend is raised by 10 per cent to 3.3p.

Mr Charles Hambro, chairman, said "These results demonstrate the benefits of our strategy of balanced expansion, although they reflect slower growth in some areas than we had achieved recently."

The bulk of the profits came from non-banking activities, which include estate agency, insurance broking and investments. These amounted to £27m, up from £21.9m.

There was a particularly strong performance from Hambro Countrywide, its 51 per cent-owned estate agency subsidiary which earned £14.3m, up from £10.7m, thanks to the strength of the housing market all through the summer.

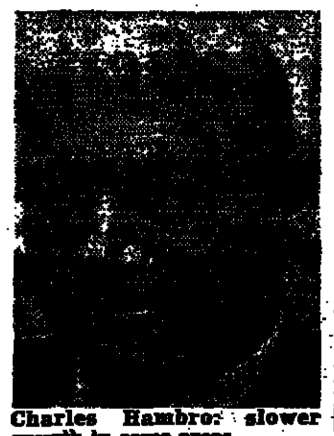
However, Mr Christopher Sporborg, who is in charge of non-banking activities, said there had been a sharp fall-off in activity in recent months because of the rise in interest rates, which had forced the group to lay off a number of people at Bairstow Eves.

Total house sales for the year are now projected to reach 70,000, down from the 74,000 originally forecast. Although Hambros did not subscribe to the view that house prices were about to suffer a sharp fall, it had reduced its sales projections for next year, though to what level Mr Sporborg would not disclose.

Linked to this business is Hambros new life insurance venture with the Guardian Royal Exchange, which is selling policies to about 45 per cent of the group's house-buying clients. Mr Sporborg said he expected financial services to account for half of the estate agency business' profits next year.

Hambros earned £17.5m from banking, down 11 per cent on last year's £19.7m. Mr Chips Keswick, managing director of banking, said results had been affected by a number of conflicting factors. Margins had remained intensely competitive despite his expectation that the recent international agreement on bank capital would force banks to be less aggressive.

Hambros had reined in the growth of its balance sheet,



Charles Hambro: slower growth in some areas

and adopted a policy of holding readily-realisable, though lower-yielding, assets. Treasury results were also lower.

Corporate finance was very active with more than twice the business of last year. But while the specialist European mergers and acquisitions operation was seeing an encouraging flow of business in advance of 1992, it was likely to remain a cost centre for another two years, Mr Keswick said.

See Lex

Chloride unveils 24% rise to £7.7m

By Andrew Hill

CHLORIDE GROUP, the battery and power supply company which yesterday announced it was discussing the possible sale of its European automotive battery operation, increased pre-tax profits by 24 per cent to £7.7m in the six months to September 30 1988.

Turnover rose from £135.7m to £155.9m and earnings per share from 1p to 1.2p. The profits included an exceptional gain of £900,000 (£100,000) on the sale and leaseback of certain properties, offset by redundancy costs.

Mr Peter Regnier, group finance director, said the automotive division – which includes the battery operation – contributed about 32 per cent of first half sales, against 39 per cent last time.

Industrial batteries accounted for 37 per cent (35 per cent), and electronics for 26 per cent (18 per cent) with the balance coming from Chloride's miscellaneous plastics, metals and engineering businesses.

Mr Regnier added that the sale of the automotive battery division – trading principally as Exide would alter the balance of the group, with the industrial batteries division increasing its contribution to sales to about 45 or 50 per cent.

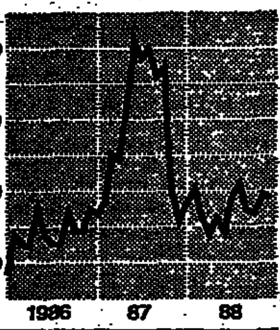
The company, which also announced that Mr Ray Horrocks would succeed Sir Michael Edwardes as non-executive chairman, declared an interim dividend of 0.55p (0.5p) per share.

● **COMMENT**

To the relief of the City, Chloride looks like releasing itself from the millstone of automotive battery losses. The move has always seemed a likely option for the group, but it was no less welcome for that. Nor is it just Chloride's image which would improve were the sale to go ahead. Less superficial effects of the planned disposal would include lower borrowings and working capital savings, and a reduction in the seasonality of the group's results. Despite the good news and the highly respectable results, the shares came down 1p to 58p yesterday and analysts are staying with forecasts of about £24m for the full year. This puts the shares on a prospective p/e of about 12, a fairly high price, but one which could still react positively to the emergence of a definite buyer for the troubled battery operation.

Chloride Group

Share price (pence)



ISSUE NEWS

Embassy Property for USM

By Fiona Thompson

EMBASSY PROPERTY Group is joining the Unlisted Securities Market, via a placing valuing the company at £14.5m.

Neilson Milnes and JS Gadd are placing 2.63m shares, representing 34.4 per cent of the enlarged capital, at 190p. All the shares are new, and will raise £4.5m for the company.

Embassy, with offices in Birmingham and central London, is involved in commercial and residential property development, retail construction and shopfitting, and property investment.

It was formed in 1985 as a holding company to acquire property development and construction companies previously owned by two of the present directors, Mr Roger Holbeche, chairman and managing director, and Mr Michael Cleveley, deputy managing director.

In the three years 1986 to 1988, turnover has increased from £1.6m to £12.2m and pre-tax profits from £83,000 to £1.09m, producing an historic price/earnings ratio of 12.

The residential development and construction/shopfitting sectors have seen a gradual increase, but it is the commercial development side which has reported the dramatic rise, especially in the past year, boosting its contribution from a £5,000 loss in 1987 to a £1m profit.

On the residential side, the group builds homes in the West Midlands, concentrating on detached houses in prime locations in the £100,000 to £200,000 range.

Of the £4.5m the placing will raise, £1.25m will be used to repay borrowings. The balance will be used to improve the size and quality of its commercial development portfolio.

Fairey closes below offer price

By Philip Coggan

SHARES in Fairey finished at a small discount to the offer price when dealings closed yesterday. The shares, having briefly touched 157p, closed at 154p, 1p below the offer price.

Fairey's offer was 2.7 times subscribed but since the announcement of allocations, the market has been buffeted by the trade figures and the rise in base rates. Nevertheless, the unenthusiastic reception to the shares on first day dealings is a discouraging omen for British Steel.

At the offer price, Fairey was capitalised at £51.2m.

Channel Express £2m placing

CHANNEL EXPRESS, the company which flies and ferries 95 per cent of the Channel Islands' flowers to mainland Britain, is to join the Unlisted Securities Market, writes Fiona Thompson.

McCaughan Dyson Capel Cure is to place 2.86m shares, representing 25 per cent of the enlarged equity, at 70p, which values the company at £8m.

Channel distributes cut flowers and pot plants to every major wholesale flower market in the UK, to some larger retail florists which act as secondary wholesalers, and to several supermarket groups, including Marks and Spencer and Asda. It also distributes the bulk of Spanish flower imports and flowers from Holland, Columbia, Kenya and Israel.

Mr Philip Meeson, chairman and managing director, bought the company in 1983 and soon after implemented a policy of upgrading distribution and freight services.

Of the 2.86m shares being placed, half are being sold by Mr Meeson, and half are new shares which will raise £760,000 for the company. This will be used for expansion and acquisitions, "such as a regional flower distribution company," said Mr Meeson.

Pre-tax profits have grown from £395,000 in 1985 to £769,000 in 1988, on sales up from £4.12m to £8.08m. The directors forecast that pre-tax profits for the year to March 31 1989 will be not less than £1.05m, producing a prospective p/e of 19.1.

American Distributors raising £3m

By Clare Pearson

USM-quoted American Distributors, previously known as Sapphire Petroleum, is raising £3m through an open offer and placing to back up its expansion in tobacco and food distribution in the US. It has also arranged a $20m (£14.13m) line of credit.

The group is further proposing to consolidate its ordinary shares into 5p blocks.

Higher margin sales help lift Asprey to over £8m

By Maggie Urry

ASPREY, USM-quoted jeweller, art and antique dealer, reported a near-10 per cent per cent increase to £8.11m in pre-tax profits for the six months to end-September. Sales rose 3.3 per cent to £30.55m.

Asprey said it was confident that results for the full year would be "satisfactory". Last year it reported pre-tax profits of £16m and brokers are looking for £18m this year. Mr Nicholas Harrington, financial controller, said the rise in profit margins reflected an increase in larger "one-off" sales, which make a higher margin, and a better return on the group's cash from higher interest rates.

The group has operations in New York and Geneva, but Mr Harrington said exchange rate movements had not affected profits significantly.

Earnings per share rose to 10.15p (9.73p) after a higher tax rate. The interim dividend is up 1.35p (1.25p).

T&N to pay £9.3m for Supermet

By Clare Pearson

T&N, engineering group, is paying £9.3m for Supermet, a US company, which will provide its UK subsidiary Brico Engineering with a North American base for the manufacture of valve train components.

Supermet, which makes metal products for a range of industries, uses the sintering process – where powders are compressed under heat – in which Brico is also heavily involved.

Ohio and Illinois-based Supermet is expected to have sales of $8.5m in the current year. The consideration is in cash.

Kromagraphic for market

KROMAGRAPHIC, a London-based computer graphics and photographic reproduction house, is coming to the Third Market via a placing which values the company at £1.8m, writes Fiona Thompson.

Stockbroker Raphael, Zorn is placing 3.05m shares at 10p. The placing, of all new shares, will raise £180,750 for the company. This will be used to eliminate borrowings, fund additional capital investment and accelerate a move to larger premises.

As the company meets the requirements of the Business Expansion Scheme, investors who hold their shares for five years will get tax relief.

In the year ended March 31, 1988 the group reported a pre-tax profit of £100,745 on sales of £1.29m. In the six months to September 30 1988 it made pre-tax profits of £99,461 on turnover of £991,877.

Kromographic provides a complete range of services in commercial applications for electronic image processing, audio-visual and presentation graphic design, technical illustration and high quality photographic reproduction.

It services about 300 customers, none accounting for more than 5 per cent of turnover.

Swanyard rights

Swanyard Studios, a recording studio operator, is launching a one-for-one rights issue to raise £3.56m, in order to establish a studio in New York.

Shareholders are being offered 142.5m shares at 2½p each. Yesterday the shares opened at 3¼p, and fell ½p by the close.

Swanyard, which joined the Third Market last December, also announced pre-tax profits for the first half of 1988 of £118,000.

Bostrom details

Bostrom, the commercial vehicle seating manufacturer, has confirmed the details of its flotation on the main market. Robert Fleming is placing just under 4m shares at 135p each giving the group a market capitalisation of £15.5m.

Kelt increases Carless holding to 11.4%

By Nikki Tait

KELT ENERGY, which is waging a £206m bid for Carless, the larger oil independent, continues to pick up shares in its target.

Its advisers, Henry Ansbacher, yesterday announced that they had acquired a further 1.1m shares – taking the stake held by the merchant bank to 1.5m shares or 0.84 per cent.

This gives Kelt beneficial ownership of 15.2m shares, representing about 8.46 per cent of Carless. Kelt's chairman, Mr Hubert Perrodo, owns a further 2.15 per cent. This takes the Kelt camp's combined holding to about 11.44 per cent.

At the first closing date last week, when Kelt's stake stood at 10.5 per cent, the company claimed control of just over 47 per cent of its target – although this included a small number of shares (1.37 per cent of the equity) for which valid cover had not been received.

UK COMPANY NEWS

Allied-Lyons meets City forecasts with 16% profit rise to £229m

By Lisa Wood

ALLIED-LYONS, the beer, wines and food group in which Bond Corporation holds a 10.8 per cent stake, yesterday reported a 16% rise in pre-tax profits to £229m for the 28 weeks to September 17.

The results were in line with market forecasts. The share price closed at 465p, down 1p.

Earnings per share improved by 19 per cent to 19.8p (16.6p) and an interim dividend of 5p per share will be paid, an increase of 14.9 per cent.

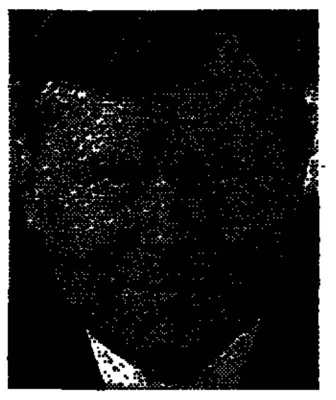
Sir Derrick Holden-Brown, Allied's chairman, said all three divisions had made good progress.

Trading profit of the beer and retailing division rose 16 per cent from £96m to £111m. Sir Derrick said beer volumes had increased slightly, to about 14 per cent of the UK market, with low-cost production, major brands and improvements in retailing contributing to profits growth. Investment in retailing was a major priority, said Sir Derrick, and continued to provide the most rapid stimulus to profits.

Allied brews Castlemaine XXXX and Swan lager under licence from Bond Corporation and holds the franchise for Castlemaine in Europe.

Sir Derrick said Bond Corporation would "dearly love" to acquire Allied if it had the resources. He said talks between himself and Mr Alan Bond over a joint operation in Europe had been terminated. Mr Bond is understood to have had more aggressive plans for development of the Castlemaine brand than Allied.

The wines and spirits division, which includes Hiram Walker, reported a 9 per cent increase from £113m to £123m. Brands including Ballantine's and *Canadian Club* performed well. A new joint distribution venture with Suntory, the Japanese group, begins in February and Allied expects that the new tax regime in Japan will improve sales of imported whiskies there.



Sir Derrick Holden-Brown: beer volumes up slightly

J Lyons, the food division produced a trading profit of £48m, a 12 per cent increase from £43m, with the strongest contributions from the European and North American food operations and the services and leisure businesses in the UK.

J Lyons is in discussions with Suntory about its possible distribution of foods such as tea, biscuits and ice cream in Japan.

Sir Derrick said Allied-Lyons awaited with interest the Monopolies Commission investigation into the brewing industry. He declined to comment on which way Allied might jump should the investigation force a break up of the vertically integrated industry. Sir Derrick, who retires shortly as chief executive, said 70 per cent of the beer division's profits came from retailing.

See Lex

PLM wins £54.5m battle for Redfearn

By Philip Coggan

PLM, the Swedish packaging group, yesterday clinched victory in its £54.5m bid battle for Redfearn, the UK glass manufacturing and flexible packaging group.

The Swedish company acquired a 1.7 per cent stake in the market yesterday, which added to its 48.4 per cent of valid acceptances, took it over the 50 per cent mark.

PLM has also received acceptances in respect of 1.3 per cent of Redfearn's equity, which are awaiting the necessary validation.

PLM's victory, which was achieved by the first closing date, was remarkably swift. Redfearn had dismissed its 545p per share offer as a "sighting shot."

Two developments swung victory PLM's way. First, OVS, an Australian investment company controlled by Mr Dick Pratt, accepted the offer in respect of its 29.99 per cent stake.

That followed a tender offer, under which OVS offered its stake for sale at 520p per share.

Secondly, the unrelated Mr John Pratt and his family owned a stake of 12.2 per cent.

PLM's announcement of acceptances yesterday came shortly after a statement from Redfearn which said that current year pre-tax profits were sharply ahead of budget and which forecast a 25 per cent increase in full year dividends.

But the forecast came too late to save Redfearn and yesterday, the two companies were arranging talks to discuss the future of the com bined group.

All-round growth as Readicut shows 28% advance to £6.7m

By Alice Rawsthorn

READICUT INTERNATIONAL, specialist textiles group, yesterday announced a 28 per cent increase in pre-tax profits from £5.21m to £6.67m in the half year to September 30 on sales up from £81.69m to £96.22m.

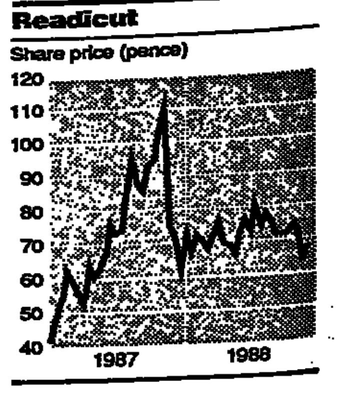
The furnishings and household textiles division saw sales rise to £40m (£36m). Firth Furnishings, which makes car carpets, benefited from the rapid rise in car sales during the summer. Regal Rugs fared well in the US and is now increasing capacity at its South Carolina plant to keep pace with demand.

The buoyant state of the contract and consumer carpet markets in both the UK and the US fuelled an increase in carpet sales to £22m (£20m). Mr Alan Dodman, managing director, said that, so far, there had been no sign that increased interest rates had depressed demand for consumer carpets in the UK.

Readicut's spinning activities also benefited from the buoyancy of the UK carpet market. Sales from fibres increased to £31m (£25m). The only weak area of activity was Stonehouse which suffered from the problems of its customers in the east Midlands knitwear industry.

Readicut

Share price (pence)



The industrial products division was reinforced by the first full contribution from Hoyland, umbrella frame maker, and saw sales rise to £12.5m (£8m).

Readicut recently expanded its umbrellas interests with the acquisition of Fox.

Earnings per share rose to 3.2p (2.61p) and the interim dividend is lifted to 0.57p (0.38p).

Mr Dodman said that Readicut was intent upon securing further organic growth, but was also interested in strategic acquisitions to expand established activities.

COMMENT

The days when Readicut was an ailing rug kits company are far, far away. The group is now on course for its sixth successive year of profits growth and rug kits are relegated to the role of a small, and insignificant, interest. In the intervening years it has staged a series of small acquisitions in the specialist sectors, that are less exposed to the intensely competitive conditions now threatening so many other areas of textiles. Its consumer carpet companies, for example, concentrate on the middle market niches which are less vulnerable to sudden swings in consumer spending. While fibres should be buoyed by the installation of a new polypropylene plant. The City expects an increase in profits to £17m, putting the shares up 3p to 67p yesterday – on a prospective p/e of 8. So far Readicut has been rather too motley an assortment of interests for the City's taste and its share price has been somewhat pedestrian. It remains to be seen whether a display of its steady, defensive qualities will prove any more appealing.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied-Lyons ......int	5	Feb 24	4.35	-	13
Asprey § ......int	1.35	Jan 25	1.25	-	4.75
Caledonia Invs ......int	3.5	Jan 18	2.5	—	7
Chamb'lain Phipp......int	1.6†	Jan 3	1.4	-	6.5
Chloride ......int	0.55	Jan 23	0.5	—	2
Dawson Intl ......int	2.65	Jan 18	2.4	-	7.8
Fairline Boats ......fin	9.5	Jan 27	6	13.5	9
Hambros ......int	3.3	—	3	—	9
North Amer Trust......fin	4.85	—	4	6.25	5.4
Readicut ......int	0.57	Jan 16	0.38	-	2.73
Robertson Group ......int	1.1	Jan 4	0.9	-	3.3
TMD Advert § ......fin	3†	Feb 23	2.4	3	2.4
Warringtons ......fin	1♣	-	nil	1	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣For nine months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BPS Industries, Bassett Foods, Chemoxy Int, HPC, Jarvis Porter, Mountview Estates, Porter Chadburn, Rolfe & Nolan Computer Services, Rowlinson Securities, Royal Trust Government Secs Fund, Scottish & Mercantile Inv Trust, Shanks & McEwan, Southwest Resources.

Finals- Hardanger Properties, Kwik Save, Sungei Besi Mines Malaysia, TSB Channel Islands, Tate & Lyle.

FUTURE DATES

Interims-	
Avesco	Dec. 7
Birmingham Mint	Dec. 7
Clayhithe	Dec. 5
F & C Smaller Co's.	Dec. 19
Harmony Leisure	Dec. 5
Learmonth & Burchett Mng.	Dec. 6
Mansfield Brewery	Dec. 1
Sterling Publishing	Dec. 5
Whitecroft	Dec. 12
Wood (SW)	Dec. 2
Finals-	
Berisford (S&W)	Dec. 8
Borthwicks	Dec. 20
City Site Estates	Dec. 7
Dundee & London Inv Trust	Dec. 1
Dwyer	Dec. 15
Hardys & Hansons	Dec. 12
Kelsey Industries	Dec. 22
Royal Bank of Scotland	Dec. 1
Viking Packaging	Dec. 15

Maxwell groups in US and London purchases

By Clare Pearson

MACMILLAN, the US publisher recently acquired by Maxwell Communications Corporation after a hard-fought battle, is buying BRS Information Technologies, a New York database concern.

Meanwhile, Mr Robert Maxwell's other listed vehicle, Pergamon AGB, is acquiring London-based Stanley Davis Company Services, which is involved in company searches and formation, for £3.75m in cash.

BRS, which is being bought from Thyssen-Bornemisza Group, will add services for customers in the fields of medicine, social science and business to Maxwell Communication's existing US online information business – Pergamon ORBIT Infoline. This mainly provides information for scientists. The consideration for BRS was not revealed yesterday.

Stanley Davis, which is used mainly by accountants and lawyers, ties in with the activities of Pergamon's Oyez Services Group. After the purchase, Mr Stanley Davis will assume responsibility for all Pergamon's company information and agency services.

Stanley Davis made £297,000 pre-tax on £2.96m turnover in the year to end-May.

Mr Maxwell earlier this month paid $2.6bn for Macmillan in a move that swiftly followed his $750m purchase of the bulk of Dun and Bradstreet's Official Airlines Guide. He shortly afterwards announced plans to dispose of most of his interest in BPCC.

Revamped Warringtons at £0.6m

The transformed Warringtons has made pre-tax profits of £630,000 for the nine months ended September 30 1988, and is returning to dividends with a payment of 1p.

This is the first year of profits since 1983. For the 12 months ended December 31 1987 the loss was £1.54m, but reduced to £103,000 on a restated basis.

At the end of June the com pany set the seal on its tranformation to a property developer with a series of acquisitions which almost tripled its size. In the largest deal it bought the property activities of Alfred McAlpine, and the latter took 45 per cent of Warringtons.

Tax took £260,000 (restated £45,000) and extraordinary charges £359,000 (nil).

London Shop comes under fire from Peel

By Clay Harris

PEEL HOLDINGS yesterday urged shareholders in London Shop to accept its £269m takeover offer because of what it claimed was the target company's below average growth in rental income and net asset value.

Peel also accused London Shop of having missed development opportunities offered by its property portfolio.

The allegations, contained in Peel's formal document for the hostile 300p cash bid launched last week, were rejected by Mr John Bushell, London Shop chairman and chief executive.

Peel contrasted the 77 per cent growth in London Shop's gross rental income over the four years to May with the 109 per cent rise in secondary retail rents and 135 per cent rise in retail rents in South-East England over the same period.

Mr Bushell said this comparison confused rents with income and did not reflect increases which would come through under five-year rent reviews.

He also said Peel's comparison of London Shop's 66.9 per cent growth in asset value over four years with an overall figure of 87.7 per cent for the retail sector was premature. Healey & Baker was undertaking a group-wide valuation of the properties at November 30, the first external valuation since March 1986.

London Shop shares closed unchanged at 303p.

Cadbury lifts Australian offshoot bid

By Clay Harris

Cadbury Schweppes, confectionery and drinks group, yesterday raised its bid for the 30.3 per cent minority in its Australian subsidiary and won board approval for terms which value Cadbury Schweppes Australia at A$1.3bn (£616m).

The offer has also been cleared by the Australian Government.

Cadbury's cash terms of A$4.25 per CSA share were 9 per cent higher than the previous offer, announced on October 24. CSA shareholders will be able to elect for an all-paper option (20 Cadbury for every 33 CSA) or cash-and-shares (A$10.90 plus one Cadbury share for four CSA shares).

UK COMPANY NEWS

Chamberlain Phipps rises to £3.9m

By Alice Rawsthorn

CHAMBERLAIN PHIPPS, the shoe components and speciality chemicals group, increased pre-tax profits by 16 per cent from £3.37m to £3.9m in the first half of the year, despite the slump in the UK shoe industry.

For the past year the industry has suffered severely from a sudden surge of low cost imports: fuelled by the strength of sterling. The women's shoe trade has been particularly badly affected.

Mr David Chamberlain, chairman and chief executive, described it as a "difficult year" for UK shoe components. Chamberlain had "bucked the trend" by gaining market share and developing new products. It had also benefited from investment in its speciality chemicals interests.

In the six months to September 30, turnover rose to £62.64m (£58.7m) and operating profits to £4.57m (£3.98m). Chamberlain paid £677,000 (£609,000) in interest on gearing of 43 per cent. Earnings per share rose to 6.15p (5.4p). The interim dividend is 1.8p (1.4p).

The UK shoe components division saw sales slip to £16.47m (£16.54m) and profits to £1.51m (£1.6m). Chamberlain has diversified into heel making by buying F.D. Ward and is accelerating expansion into new areas, such as sports centre floors and safety surfaces.

The overseas shoe components interests mustered an increase in sales to £12.05m (£10.89m) and profits to £1.09m (£797,000). An operation was opened in Taiwan.

Speciality chemicals in the UK benefited from the installation of a fourth coatings line and from the completion of the merger between the two adhesives plants in Newcastle. Sales rose to £24.4m (£21.2m) and profits to £1.66m (£1.19m).

Overseas, chemicals encountered difficulties in the US and Italy. Sales slipped to £8.62m (£9.98m) and profits to £258,000 (£335,000). Mr Chamberlain said these problems were "short term" and would be swiftly resolved.

The group's customers in the UK shoe industry were still experiencing difficulties, he said, but the situation had not deteriorated further.

● COMMENT

Chamberlain Phipps began the 1980s as a company almost solely involved in supplying components to the shoe makers of the UK. It is now as a broadly based group with speciality chemicals companies and shoe components interests overseas. The objective has been to prepare for the time when the UK shoe industry lurched into yet another cyclical slump. That time has now come. Given the severity of the slump, Chamberlain has fared remarkably well in protecting its position and there is no reason why it should not continue to do so in the future. Most of its efforts will be expended on improving margins in speciality chemicals. In the meantime the City expects a respectable rise in profits to £8.5m for the full year, leaving the shares — on a prospective p/e of 10½ at 148p — to move with the market.

Halfway downturn at Robertson Group

By Kenneth Gooding, Mining Correspondent

ROBERTSON GROUP, which provides a comprehensive range of services to the natural resources industry, saw taxable profit for the half-year to September 30 fall from £3.17m to £2.57m.

However, the dividend payment is lifted from 0.9p to 1.1p per share.

The group decided not to make any disposals of mineral venture assets in the half-year because of generally depressed market conditions. In the same six months of 1987 these contributed income of £1.26m, mainly from the sale of shares in the Greenwich Resources gold mining company and from the disposal of some mineral properties in the US.

Robertson's debt rose to £2m from nil following the acquisition of interests in four organisations during 1988 for a total of £1.6m, and the mining finance division invested £500,000 in a 4 per cent interest in Anglesey Mining, the company which hopes to re-start polymetallic mining at Parys Mountain on the island of Anglesey, North Wales.

Mr Roy Bichan, the chief executive, said there might be some disposals of mineral assets in the second half.

In the longer term the group was re-examining the possibility of a flotation on the Toronto Stock Exchange for American Gold, a company in which Robertson has an 11 per cent shareholding.

Robertson was also considering a separate quotation for the mining finance division, possibly after a suitable, complementary acquisition. But this might take two years, said Mr Bichan.

Mr Lionel Cook, chairman, pointed out Robertson had come through a major acquisition programme which had diversified its activities away from petroleum — which in the half-year accounted for 48 per cent of turnover compared with 90 per cent before the programme started — and spread the business across a much wider geographic area.

"Priority, in the short term, will now be directed towards consolidation of the acquisitions and the maximisation of their potential and profitability within the group," he added.

Robertson's turnover in the half-year rose from £15.02m to £19.87m and operating profit from £1.94m to £2.4m. Earnings per share fell from 6.9p to 5.1p.

Mr Cook said profitability in the minerals and water division, which contributed about 20 per cent of group turnover, was disappointing because of operating difficulties with some contracts in developing countries.

However, all divisions were currently trading satisfactorily in spite of difficult market conditions, and Robertson looked forward to the rest of the financial year with confidence.

Mr Bichan said the directors were keeping a watchful eye on the share register in view of rumours about a possible predator on the prowl for Robertson — the Bond Corporation, Lonrho and Charterhall have all been mentioned.

Institutional investors hold more than 52 per cent of Robertson's capital: Provident Mutual has over 6 per cent and the Prudential about 5 per cent. Kleinwort Investment Management controls 17 per cent while directors and staff between them own about 8 per cent.

Fairline Boats earnings jump 81%

FAIRLINE BOATS yesterday reported earnings per share ahead by 81 per cent ahead to 73.3p and the dividend is lifted 50 per cent to 13.5p for the year ended September 30 1988.

Turnover was up 44 per cent to £25.37m (£17.67m), while the pre-tax profit advanced 50 per cent to £3.63m (£2.42m). The final dividend is 9.5p.

Mr Sam Newington, chairman, said that over the past five years there had been exceptionally strong demand for the company's boats.

Aided by product developments, heavy investment and stringent costs control, this had led to substantial growth.

The current year had started well, with the opening two months up on last year, but there was some concern over the rising value of the pound, higher interest rates, other costs and competition.

"That said, we have an excellent order book and we believe that we should have no difficulty in selling everything we can produce until at least autumn 1989," the chairman said.

Two phases of the new factory at Weldon, producing smaller boats and the Fairline 43, were fully operational and construction of phase three was making good progress.

The new Targa 27, introduced in September, was selling well. Forward orders for the Fairline 41, to be seen in January, were extremely encouraging, as were those for the 35 ft Fairline Corsica to be launched in the spring.

Brierley/Vickers

Sir Ron Brierley, New Zealand entrepreneur, has reduced his stake in Vickers, engineering group which owns Rolls Royce Cars. IEP Securities, a member of the Brierley group of companies has sold 1m bringing its stake to 22.15m shares or 8.65 per cent.

COMPANY NEWS IN BRIEF

ALUMASC: The proposed acquisition of Grundy (Teddington) will not be referred to the Monopolies and Mergers Commission.

ASSOCIATED NEWSPAPERS Holdings: The Daily Mail and General Trust said its cash offer was now final and would not be increased. The trust said it owned, had contracted to purchase or had acceptances totalling 125.41m ANH shares (93.76 per cent).

AVIS EUROPE has reached agreement with Laing Investments (Bracknell) on a put and call option for the freehold purchase of Park Gate in Bracknell for £17.75m exclusive of fitting-out costs. Option is exercisable between January 3 and 17 1989.

BHH has completed arrangements for the sale of a residential site for approximately £7.3m. Total sales proceeds for the housebuilding division now over £21m, increasing pre forma net tangible assets to 107.2p per share.

BIRMINGHAM EXECUTIVE Airways: Offer from Plimsoll Line declared unconditional in all respects after acceptances in respect of 1.22m £1 shares (81.8 per cent) and 12.81m 10p shares (96.3 per cent) by the first closing date. Acceptances represent 94.8 per cent of BEA voting rights.

GEEVOR: The open offer of new ordinary shares was taken up by shareholders as to 780,505 (19.5 per cent). The balance was retained by the company's stockbrokers.

HELLENIC AND GENERAL TRUST experienced an 18 per cent fall in profits in the six months to September 30 from £1.25m to £1.02m. Hellenic, a wholly-owned subsidiary of Hambros, is an investment holding company. Dividends and interest on credit was almost static at £807,000, but investment gains dropped sharply to £24,000 (£453,000).

LAMONT HOLDINGS subsidiary Lamont Properties to sell Stevenson House, an office block in Edinburgh, for £2.25m cash.

M&G DIVIDEND Fund: Final distribution 11.389p (9.4p) per income unit for year to November 27 1988.

NO PROBES: Trade Secretary has decided not to refer to the Monopolies Commission the proposed acquisition by London and Edinburgh Trust of Owen Owen from Ward White.

SIMS FOOD Group has completed the acquisition of J Redmond and Son for a total £1.13m in cash and shares. Redmond specialises in the supply of new and reconditioned food machinery.

WESTERN MOTOR Holdings has acquired 4.12 acres of land at Reading, Berkshire, for £4.95m cash. Western intends to reorganise certain retail operations so as to enhance current dealership premises, to add additional franchises and to relocate certain other operations. It said the acquisition would assist it to implement these plans.

SHARE STAKES

Changes in company share stakes announced recently include:

Benlox — Dr A Marwan holds 7.23m ordinary (13.48 per cent).

Guinness — has purchased 1m of its own stock units at 330.4p each, bringing its total purchases to 38.96m.

Scott's Restaurant — Brent Walker Group has disposed of 30,250 ordinary and no longer has any interest in the share capital. Mr Isidore Kerman, director of Scott's, has bought, for himself and his wife, 17,445 ordinary (3.5 per cent) at 980p each, bringing his holding to 284,957 (57 per cent). Mr N Kerman, another Scott's director, acquired 12,555 ordinary, also at 980p each, to take holding to 34,534 (6.91 per cent).

Standard Chartered — Tan Sri Khoo Teck Puat has disposed of 5.89m of rights not taken up. His holding is now 11.78m (5.04 per cent).

Williamson Tea — The Plantation Trust has acquired 17,000 ordinary (0.74 per cent) and now holds 171,575 ordinary (7.5 per cent).

UK COMPANY NEWS

Dawson up to £21m in busy period

By Alice Rawsthorn

DESPITE RISING raw material prices and adverse exchange rates Dawson International, the Scottish textiles group best known for its luxury woollens, increased pre-tax profits by 11 per cent from £19m to £21.1m in the first half of the year.

Turnover rose to £179.8m (£176.9m) in the six months to September 30. Earnings per share increased to 8.7p (7.7p). An interim dividend of 2.65p (2.4p) is declared.

Mr Ronald Miller, chairman and chief executive, said that the Scottish knitwear and clothing companies experienced a "very busy half year" despite the increase in cashmere and lambswool prices and the impact of the strong pound on exports. Sales from these companies rose to £48m (£40m).

Dawson was recently forced to increase the price of its luxury woollens by 20 to 25 per cent. As a result orders are presently lower than at the same time last year, said Mr Miller, although sales from stock are still buoyant.

The combination of rising raw material prices and problems in securing cashmere supplies from China left fibre processing with static sales at £60m. Dawson also suffered from the swing against Shetland-style knitwear.

By contrast Mr Miller described the intregation of Morgan and Duofold in the US as "very successful". The US businesses increased sales to £59m (£53m), although sales rose faster – by 20 per cent – in local currencies.

Dawson has restructured its interests by weeding out weaker areas of activity, such as KSW, the loss-making hand knitting business in West Germany. The cost of closures and disposals was included in an extraordinary item of £5.8m.

Earlier this month the group announced the reorganisation of its activities into four divisions.

Ronald Miller:very busy half year

● COMMENT

So far Dawson has emerged comparatively unscathed from the uncomfortable combination of rising raw material prices, cashmere shortages and strengthening sterling. The immediate outlook is rather less reassuring. The group's spinning mills already bear the burden of retailers' bearishness for 1989. The Chinese authorities show no sign of restoring order to the chaos of the cashmere trade. And it remains to be seen whether its luxury woollies can withstand yet another price rise. Dawson has, however, enlivened its marketing by working with fashion designers like Oscar de la Renta. It is also benefiting from the vogue for wealthy American matrons to change their environmentally unsound fur coats, to cashmere. The recent reorganisation – and removal of poor performers – has reinforced the management structure. The group is expected to muster a modest rise in profits to £48m for the full year. But the City's suspicions towards textiles should ensure that the shares – stable at 197p yesterday – should stay on a prospective p/e of 10. Unless, of course, Dawson becomes embroiled in yet another bout of bid rumours.

Stake sale proceeds lift Premier Oilfields

By Clare Pearson

DESPITE THE weaker oil price, midway net profits at Premier Consolidated Oilfields rose 35 per cent to £8.19m thanks to the sale of its stake in fellow oil independent London & Scottish Marine Oil (LASMO).

Except for a £5.13m extraordinary credit from the disposal of 1.1m shares shortly after British Gas's dawn raid on LASMO in September, net profits for the half-year to end-September would have been £3.06m (£6.05m).

Mr Roland Shaw, chairman, stressed Premier had continued to operate profitably in the face of sharply lower sterling oil prices, which averaged £8.38 per barrel against £11.28 in the comparable period. He said: "We are generating substantial cash flow, entirely adequate to support an expanding exploration programme."

The company struck a confident note about the first exploration well currently being drilled in its 3,600 sq mile concession off the coast of Thailand. An announcement is expected within two weeks. Petrofina has a 45 per cent interest in the area under a farm-out arrangement.

There were also indications yesterday that reports of encouraging results from BP's latest appraisal well on the Wytch Farm offshore extension, in which Premier has a 12.5 per cent interest, were well-founded.

Premier is currently involved in the drilling of seven wells. During the period, production from the North Sea Thistle and Deveron oilfields declined but at a slower rate than expected. Wytch Farm production, projected to rise to 64,000 barrels per day by the end of next year, was steady at 11,000 b/d.

Turnover dropped to £11.51m (£14.23m) despite a 6 per cent rise in producing rates to 7,030 (6,620) b/d. Operating profits were £4.32m (£6.73m). Earnings per share came out at 0.79p (1.58p).

● COMMENT

While acknowledging that Premier's prowess at stock market dealing has been indubitable (the LASMO profit follows a £3.66m gain on the sale of a Tricentrol stake in the last full-year figures), many observers continue to withhold admiration from a company whose exploration record to date has been middling at best. However, a few feel inclined to give the company credit for the particularly enthusiastic note it is striking at the moment about the Thailand well. On the basis of this, and the encouraging indications about both the Wytch Farm offshore and onshore extensions, these people incline to the view the market has taken cynicism about Premier too far and the shares, which have underperformed those of the company's peers for some time, really should be higher.

Bemrose pays £7m for Henry Booth

By David Waller

BEMROSE Corporation, Derby-based specialist printer, is spending £7.1m to acquire Henry Booth, a Hull-based printing group which supplies British Rail with magnetic strip tickets, and at the same time is restructuring its US operations.

In the ten months to the end of September, Booth made operating profits of £897,000 on turnover of £7.82m, and at the end of that period, net assets stood at £3.33m.

The company is being acquired for £2.35m in cash and the issue to the vendors of 2.2m new Bemrose shares. Of these, 870,000 have been conditionally placed by S.G Warburg & Co.

The restructuring of the US operations is designed to simplify management of the businesses and reduce Bemrose's borrowings in the UK, thus paving the way for further acquisitions.

Bemrose USA, a company which supplies advertising and promotional products, will become a subsidiary of its 50 per cent associate, Bemrose Yatterton. Initial consideration will be US$14m (£7.6m) – $11m in new Bemrose Yatterton shares and $3m in cash. In addition, BYI will repay to Bemrose $4.63m of loan notes.

GrandMet

Grand Metropolitan, drinks and food group, said 85.3 per cent of shares in Pillsbury had been tendered in favour of its $5.23bn (£2.84bn) takeover bid. GrandMet extended its $60 per share offer until midnight New York time on Friday.

B&C dividends boost Caledonia Inv to £12.2m

By Andrew Hill

DIVIDENDS on its holding of British & Commonwealth preference shares helped more than double pre-tax profits at Caledonia Investments in the six months to September 30. Caledonia, the Cayzer family's investment company, made £12.24m before tax, compared with £5.39m in the equivalent period.

Investment income rose from £6.29m to £12.86m, about £10.7m of which represented the return on B&C investments. Interest payable fell from £1.58m to £521,000.

Just over a year ago Caledonia sold its 31 per cent stake in B&C, which accounted for 80 per cent of its assets, to concentrate on a string of opportunistic investments, from property to special situations.

Mr Peter Buckley, Caledonia's chief executive, said redemption of the £327.5m preference shares in four equal instalments would provide a steady stream of funding for future investments.

He added that a proposed increase in the gross coupon on the B&C preference shares – from 5.75 per cent to 7.5 per cent – would cover the loss of income once the first tranche was redeemed on December 31, and provide a cushion against the risk of low initial returns on more speculative investments.

Operating profits on trading activities in the six months declined from £909,000 to £850,000, following the disposal of Urquhart Engineering in April.

Earnings per share advanced to 9.4p (3.96p) and an interim dividend of 3.5p (2.5p) was declared.

Amber Day expansion

AMBER DAY Holdings, clothing manufacturer and retailer, returned profits of £503,000 pre-tax for the 53 weeks ended July 30. That was an advance of £348,000 on the preceding 60-week period.

The directors said the improvement partly reflected the steps taken in previous years to restructure the group.

They added that this took no account of the benefits which would flow from the £5.5m acquisition of Barrie Menswear (London) or the proceeds of the subsequent one-for-three rights issue.

Turnover for the 53 weeks totalled £8.59m (£10.03m), while earnings per share amounted to 0.95p (losses 0.72p).

JOBS

Mix-up ● Finance head, mentor, economist

By Michael Dixon

WAKENED by the telephone at 3am, one of the Jobs column's former colleagues was only mildly surprised to hear an American bidding him good evening. After all, anyone with work interests spanning several countries is apt to receive occasional calls from overseas contacts who have miscalculated the difference in time.

But he was electrified by what the American told him next. It was that his sleepy voice was being broadcast live on a radio programme somewhere in the United States, whose millions of listeners urgently wanted his answer to a certain question.

Feeling flattered, he tried to imagine what aspect of his journalistic specialism – industrial affairs – so many US citizens could be so keen to learn about. On hearing the question, however, he gasped and hung up. It was: *Is Paul McCartney dead?*

When he awoke in the daylight he decided he must have been dreaming. But he soon found otherwise. From his return home that night until he had his telephone number changed, his evening leisure hours as well as his sleep were increasingly ruined by sundry Americans ringing up, sometimes on transferred charges, wanting to know the selfsame thing.

It transpired later that the curious question about the Beatle in the night-time arose from a rumour in the US that the famous pop group had broken up because Paul McCartney had died. It was said that, although his death was being kept secret, fans could get confirmation from a London telephone number hidden on the cover of one of the Beatles' albums. The number just happened to belong to poor Victor Keegan of the Guardian.

Which raises what may appear to be the curious question of why I have told that tale.

My reasons are twofold. The underlying one is that the story is relevant to something dozens of you readers have done in the past few days. But my prime aim is to assure a group of admirable workers in London that it might have been worse.

A week ago they suddenly began receiving requests for a document from telephone callers who, on being told they had never heard of it, falsely accused them of working for Union Bank of Switzerland. The document turned out to be the survey of worldwide prices and pay which this column reported last Wednesday, saying it was available "free of charge from the Union Bank's WIDO department, Banhofstrasse 45, 8021 Zurich, Switzerland; telephone (01) 234 2434."

While that was indeed the Zurich number the bank had given me for inquiries, at least 60 readers somehow concluded it was a London number. Why they did so, I can only speculate.

As they are Jobs column readers, it surely cannot be through stupidity that they failed to infer that a Zurich address was likely also to have a Zurich telephone number. I prefer to believe it was super-intelligence which led them to decide that, although written orders for the survey had to be sent to Switzerland, requests could be phoned to the Union Bank's London branch.

In which case, it is a pity that they did not check the result of their brilliant reasoning with the telephone directory. For their calls fell on the ears of the staff of Citicorp Investment Bank's data centre, increasing their workload somewhat.

Even so, there is no doubt who is principally at fault. If ambiguity arises in a piece of writing, the writer must bear the blame. I am sorry.

Fortunately, it seems that Citicorp's data experts did not mind overmuch. "For a time, we thought we must have been merged with an employment agency without being told," a spokesman said. "But once we got used to it we had some highly amusing conversations, I can tell you."

Going public

HEADHUNTER John Reid seeks a financial director for a food industry group in England's eastern counties which is planning a public quotation 18 months hence. Since he may not identify his client, he promises to abide by applicants' requests not to be named to the employer at this stage. The same applies to the other headhunters to be mentioned later.

The recruit will be on the main board and responsible for all the financial and accounting activities of the holding company, whose dozen varied subsidiaries have a turnover of more than £50m and upwards of 450 employees. While budgeting and control are good, improvements are needed in systems and reporting.

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Inquiries to Mr Reid at Executive Search, 6A Symons St, London SW3 2TJ; telephone (yes, it is London this time) 01-730 0137.

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As a member of a well motivated investment team, you will enjoy considerable responsibility for the management of sizeable corporate, pension or unitised funds and will be involved in all aspects of fund management, including marketing to prospective clients. The Company has a new dealing room with the latest electronic technology.

You are likely to have at least 3 years' experience as a specialist in one of the above areas and will be keen to develop your career in a challenging and performance-related environment. In addition to being able to demonstrate a record of achievement, you must possess well-developed interpersonal and communication skills.

The positions offer excellent remuneration packages and considerable scope for career development in an institution that is committed to quality of service, performance and long-term success.

If you would like to be considered for one of these positions, please telephone either **Mike Thompson or Susan Muncey on 01-222 7733 or write to John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

AT A CAREER CROSSROADS?

Hill Samuel Investment Services is seeking executives, aged 25 to 50 and with experience in industry, commerce or the professions, to become Personal Financial Advisors. All necessary training and support, including office facilities, will be given to enable you to promote the renowned range of Hill Samuel personal and corporate financial products and services. London commuter area.

Contact: Michael Tellier 01-222 4838. Hill Samuel Investment Services, 29 Queen Anne's Gate, London SW1 9BQ

APPOINTMENTS WANTED

A Ghanaian (CIMA) Finalist expecting results for stage 4 looking for a job in financial services sector. Age 32. Work permit not required. No employment agency.

Reply to Fax: 01-404 3067

MONEY MARKET DEALERS

London c.£25,000

Our client is a substantial UK business with a multi-billion pound turnover. It is now on the point of large scale restructure and this will result in the formulation of three progressive new companies. Each organisation will have responsibility for its own treasury function and will cultivate in-house expertise in this area.

The appointed candidates will assume senior dealing roles within these 'greenfield' treasury environments, and will have particular responsibility for all funding activities and sterling transactions. Reporting initially to the Banking Manager and subsequently to the Head of Treasury, the job-holders would have considerable scope to work on their own initiative, and to help tailor the treasury operations to the changing needs of the organisation. The role may ultimately require involvement in foreign exchange transactions so a broad understanding of exposure management would be ideal.

To succeed in this demanding position, applicants will need to demonstrate a high level of self-motivation and flexibility, in addition to numeracy and excellent communication skills. A high standard of education followed by a minimum of three years' dealing experience preferably gained within a large PLC or bank, is pre-requisite.

Please write in confidence, quoting reference 8621/4 to Hilary Douglas.

KPMG Peat Marwick McLintock

Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

Compliance Director

Global Securities House

Our client, one of the leading US securities houses, invites applications for the post of Compliance Director.

This position will become available in early 1989 due to the planned return to the US of the present incumbent. It is, without doubt, one of the most outstanding opportunities to become available in this field for some time.

As one of the few truly global securities houses, our client is extensively involved in all major products and markets. Of particular interest is its operational strength throughout the European Community and Switzerland. It has a young, dynamic management team responsible for and committed to continued expansion worldwide. The Compliance Director will be an integral part of this team.

Whilst the Compliance Director will inherit a well established and developed function, there is scope initially to raise further the profile of compliance throughout the UK operations. The role will then quickly develop to include responsibility for Europe, in a climate of rapid regulatory change.

This position will be attractive to talented individuals with ambition and flair looking for career growth in a dynamic environment. Candidates should have a professional background and practical experience of the compliance function. It will be of particular interest to experienced compliance officers looking to assume additional responsibility in a larger organisation. However, individuals with sound compliance knowledge from the accountancy profession or a regulatory background may be considered. Personal qualities, including authority, presence and analytical skills are essential. The successful candidate must be capable of further promotion within the global management structure of this multi-disciplinary securities house.

Candidates should not consider their current salary to be a limiting factor.

For a confidential discussion regarding this appointment, please contact **Paul Wilson or Karin Clarke on 01-831 2000. Alternatively, write to them enclosing career details at Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

MP

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

ACQUISITIONS MANAGER

Package worth c.£35k + car + profit share + share purchase schemes Bedford

- Europe's largest employee-owned business.
- 30,000 employees, mostly shareholders.
- 50 operating companies.
- 700 locations in the UK and overseas.
- Revenue exceeding £1200 million.
- Investment currently £100 million plus.

NFC is one of Britain's most successful and diverse companies. Our businesses range from transport and distribution to property and travel both in the UK and overseas.

We're committed to an aggressive programme of international expansion through acquisition – our prime target areas being Europe and North America. Our recent acquisition of the U.S.A.'s largest household removals company is a perfect example of our intentions. We're now seeking an Acquisition Manager to assist in all aspects of the strategy and personally manage projects from research to completion.

Working closely with NFC's four main operating divisions, your key tasks will be candidate selection and analysis; preparing due diligence reports; reviewing competitor takeover activity and organising research and investigations. The need to make personal contact with acquisitions candidates will mean regular overseas travel.

Ideally you're aged mid 20's to early 30's, a qualified accountant experienced in corporate finance work with a major practice which has included M&A projects. Your track record will demonstrate quite clearly that you have the stature, the credibility and the strategic talent for this high-profile role. At least one other European language is essential.

The career prospects with NFC are outstanding. So too are the rewards we're prepared to offer. With a generous salary and bonus package comes a profit share scheme and share purchase opportunities offering interest free loans for immediate purchase and an additional one share free for every three purchased on our SAYE scheme.

Please send a full CV to Mrs Anne Yeomans, Personnel Manager, National Freight Consortium, The Merton Centre, 45 St Peters Street, Bedford MK40 2UB; or telephone her on (0234) 272222.

NFC National Freight Consortium
A Unique Partnership

CJA RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3582 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Scope exists for further promotion in 2 years in management in operations or finance in the UK or overseas.

MARKETING ANALYST

WEST MIDDLESEX **£22,000-£30,000**

INDUSTRIAL SERVICES COMPANY – SUBSIDIARY £2 BILLION T/O GROUP

Applications are invited from candidates aged 25-35, with a minimum of 3 years practical analytical experience relating to marketing and sales growth. At least 1 year of which must have been acquired in an organisation utilising modern marketing analysis methods. The successful applicant will take total responsibility for assembling and collating information to form a data base on customers, markets, acquisitions and financial analysis. Close liaison will be maintained with heads of these areas. Up to 10% away travel will be necessary. An understanding of computer modelling and an enquiring and commercial mind are important as is the capacity to warrant further promotion in the U.K. or overseas. Initial salary negotiable, £22,000-£30,000, plus car, contributory pension, free B.U.P.A., assistance with removal expenses if necessary. Applications in strict confidence under reference MA 4644/FT, to the Managing Director: CJA.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

MERIDIAN (rec cons)

COMPLIANCE OFFICER

£25,000 + Mtg Sub. + + +

Successful and highly respected city based Stockbrokers require a young compliance officer (with legal, compliance or accounting background) to work in a friendly and professional team, who will provide you with excellent experience and good prospects.

Emily Hall
01-255 1555

Regional Banking Manager

Leeds

As part of its regional strategy Royal Trust Bank has established regional offices in Bristol, Manchester, Ipswich and Leeds.

We are seeking to recruit a Regional Banking Manager in Leeds with at least 10 years UK Clearing bank experience, with particular emphasis on UK corporate lending.

The successful candidate will have the following attributes:-

* Local knowledge of Leeds and the North East
* Good interpersonal and communication skills
* Good marketing experience
* Ability to work on own initiative
* Age 30-45 with ACIB qualification

Salary will be negotiable and benefits will include a company car, mortgage subsidy, pension and life assurance, private medical cover and bonus plan.

Please write in confidence with career details to:

J. A. Newman, Senior Associate Director
Royal Trust Bank, Royal Trust House
48-50 Cannon Street, London EC4N 6LD.

ROYAL TRUST
Royal Trust Bank

EQUITY ANALYSTS
LIGHTLY EXPERIENCED (18 MONTHS)

£ NEGOTIABLE + BENEFITS

There are many small stockbrokers who might claim to aspire to an Extel rating for their research, as an analyst you will know that aspirations are not enough.

Would you enjoy a more measured performance in terms of the revenue your research generates? Are you able to effectively present your research to the salesteam on a regular basis? Are you encouraged to have direct client contact? Does your present role confine you to your desk?

Our client is an international stockbroker whose research effort is directed from London. They are strongly committed to expansion of research-based equity business. This house encourages analysts to take a "big-picture" view in their particular sectors and to take an active interest in the sales desk. You should have a minimum of 18 months analysis experience, the following sectors are of particular interest:— Retail, Insurance, Electronics and Contracting/Construction. An analyst who has specialised in the German Equity sector is also sought.

Please telephone Veronica McPake on 01-377 1600, enquiries dealt with in strict confidence or send a CV to:

Recruitment Matters Ltd.
15 Great Eastern Street · London EC2A 3EJ
01 - 377 1600

FUND MANAGEMENT OPPORTUNITIES

Equities & Fixed Interest

London SW1 **£ Negotiable**

Financial Sector Human Resources

Our client, the asset management subsidiary of a long established and broad ranging UK services organisation, is undergoing a period of controlled expansion.

Opportunities exist for numerate and well qualified (graduate or equivalent) individuals at the level of:

*** FUND MANAGER * ASSISTANT FUND MANAGER**
*** FUND MANAGEMENT TRAINEE**

The Fund Manager position requires experience of UK Equities and Fixed Interest markets gained over at least 5 years. At the Assistant level International Fixed Interest exposure over 2 or more years would be advantageous. The Trainee should have a keen awareness of current financial markets and preferably some related experience.

In each instance some overseas travel may be required and an attractive salary will be offered taking account of individual experience and abilities.

If you would like to discuss a new challenge for 1989 please send a detailed CV to Derek Burn, Partner, MCP Management Consultants or telephone 01 242 3665 day, or 01 229 0063 evening/weekend for further details. REF: FM01188.

MCP MANAGEMENT CONSULTANTS
11 John Street, London WC1N 2EB.

At least two years' experience in Financial Services?

Now build your career with a market leader

Our parent Company, Ætna Life and Casualty, was founded in the United States in 1853 and is now one of the world's largest publicly-quoted insurance groups, ranking among the 15 largest U.S. corporations. Ætna launched in the U.K. in 1985 and has under management funds in excess of £429m. Our Unit Trust Fund performance gained us a 'Money Management' performance award in 1987. Exceptional growth demands exceptional people, and we are now seeking further personnel for our Product Marketing Division.

Unit Trust Assistant

Ætna's development of products for Europe has given rise to a new position assisting the Unit Trust Executive in the development of new unit trust products. You will also give technical advice on unit trusts and related aspects of the Financial Services Act to company representatives, brokers and clients. You will prepare performance statistics and co-ordinate the production of interim and annual reports for Ætna's 16 unit trusts.

Product Development Assistant

Assisting the Product Development Executive in developing the servicing requirements and procedures for Ætna's range of life and pensions products, you will be responsible for producing specifications which meet the marketing strategy and technical requirements for products, including Financial Services Act compliance. Once some experience has been gained, there will also be scope for involvement in new product development.

The successful candidates will be educated to at least G.C.E. 'A' level standard, and possess a minimum of two years' relevant experience. For the Unit Trust appointment, this experience will have been gained in the technical or administration department of a unit trust company, or within a government or regulatory department. Sound knowledge of unit trusts and familiarity with the effects of the provisions of the Financial Services Act are also essential. Good technical knowledge is also required for the appointment within Product Development and, additionally, exposure will have been gained of sales and marketing aspects.

The rewards will be a financial sector salary and benefits package with non-contributory pension scheme, life assurance and subsidised mortgage. If you are ready to take the next step in your career, please telephone Adrian Thompson for more information about the Unit Trust appointment, or Heather Elliner in respect of Product Development. Alternatively, write sending a full c.v. with details of current remuneration to Marion Flower, Personnel Executive, Ætna UK, Ætna House, 2-12 Pentonville Road, Islington, London N1 9XG. Telephone: 01-837 6494.

Ætna

BANKING OPPORTUNITIES

City and West End

CREDIT ANALYSTS/MANAGERS
Corporate, Institutional & Sovereign Risk

MARKETING OFFICERS/MANAGERS
Corporate & Private Banking Roles

LEASING SPECIALISTS
Opportunities Countrywide

If you are considering a move and would like to discuss the options, please contact one of our specialist consultants for an informal discussion.

WEST END: 2 Swallow Place London W1R 7AA Tel: 01 408 1694 Fax: 01 409 3058
CITY: 25 City Road London EC1Y 1AA Tel: 01 256 5041 Fax: 01 374 8848

Management Personnel RECRUITMENT SOLUTIONS
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SOCIÉTÉ GÉNÉRALE MERCHANT BANK plc
The international merchant bank of Société Générale, Paris

FRENCH AND UK EQUITIES

Sales Executives
Sales Traders

The Investment Division of the Merchant Bank, a member of the Securities Association and of the International Stock Exchange, seeks to augment its existing equities team.

Registered Representatives (General) should have a minimum of two years experience of selling French equities to the UK and/or selling UK equities to continental Europe.

Fluency in French would be a distinct advantage.

If you would like to be considered for these appointments, please send full career details to:

James Taylor-Dickson, Senior Associate Director, Société Générale Merchant Bank plc, P.O. Box 61, 60 Gracechurch Street, London EC3V 0BT.

ANALYSTS - FUND MANAGERS - STOCKBROKERS

A City-based investor relations Company is seeking an additional executive to serve its growing international client base.

The successful candidate is likely to be a graduate with experience in fund management, stockbroking or merchant banking. Some international travel is involved and a knowledge of foreign languages would be an advantage. A high degree of self motivation should be combined with good communications skills plus the confidence and maturity to relate to clients at board level. Responsibilities will include the development and execution of global investor relations programmes, in-depth research and liaison with fund managers, analysts and stockbrokers.

An attractive, performance-based remuneration package is offered with the opportunity to share in the Company's growth.

Write Box A1072, Financial Times, 10 Cannon Street, London EC4P 4BY

FUND MANAGEMENT STRATEGY AND MARKETING

A challenging opportunity to gain experience in trustee reporting and fund management marketing

Our client has an opening for a candidate who is already working in investment management and is keen to develop the skills necessary for marketing.

As an Assistant Manager within the Company's highly successful investment team, the job will involve reporting to existing clients, at board level, on investment performance. It will also involve the presentation of the Company's services to prospective clients. The Company has a substantial and fast-growing fund management service, which has been built upon an outstanding track record in investment performance.

This is an ideal opportunity for those seeking to develop their career by gaining an overview of asset management and an understanding of global investment strategy. The position has excellent promotion prospects and would ideally suit a person wishing to make their career within the marketing function.

The position carries an attractive salary and benefits package (including a company car and low interest mortgage) and excellent prospects. To apply, please write in complete confidence to:-

Michael Thompson,
John Sears and Associates,
Executive Recruitment Consultants,
2 Queen Anne's Gate Buildings,
Dartmouth Street, LONDON SW1H 9BP
or telephone 01-222 7733 for a preliminary discussion.

John Sears and Associates
A MEMBER OF THE SMCL GROUP

CAPITAL MARKETS FINANCIAL STRATEGIST
£40,000 + CAR + PACKAGE

On behalf of a leading International Securities Organisation, we seek to recruit a highly experienced, dynamic Financial Strategist with a proven track record of between 5-10 years gained within the financial sector. Preference will be given to candidates who possess an Honours Degree in a quantitative analytical subject such as Mathematics Statistics or Physics. You will have an indepth knowledge of Fixed Income and the Euro-securities market in general and your analytical skills must encompass a high level of computer literacy on a VAX mainframe and C programme in particular. You will be required to establish your personal presence immediately whilst providing a very high level of support.

RICHARD MICHAELS
PRIME BANKING PERSONNEL
(Executive Division)

TOP EXECUTIVE JOBS

Senior Executive ... Appointments

... professionals with ... how our executive clients ... advertised vacancies by contacting us ... meeting without cost.

32 Savile Row, London W1X 1AE 01-734 3879
... Suffolk Street, Birmingham B1 1LS 021-643 2...

Connaught Mainland

LBOs, MBOs, MBIs - STRUCTURED FINANCING to £35,000

Our client is a major US banking group with broad based Corporate Finance activities and a significant presence in the marketplace. Due to sustained growth in the middle market LBO/MBO and MBI sector an additional business originator is currently sought. This is a diverse role with responsibility for the origination, negotiation, structuring and closing of transactions, using the latest financing techniques, including taking equity in the client company. Development of new business will be enhanced by drawing on the extensive corporate contacts across the group network. You must hold a degree, have a thorough credit training and be able to demonstrate proven practical experience in this very competitive market.

Please contact Loretta Quigley. Telephone 01-606 1706 or write to her at Anderson, Squires Ltd, Financial Recruitment Specialists, 127 Cheapside, London EC2V 6BU.

Executive Division

Anderson, Squires

CAPITAL MARKETS OPPORTUNITIES

A major European Bank, committed to long term expansion of its capital markets activity in London, invites candidates to apply for the following positions.

Overall remuneration will reflect the importance the Bank attaches to these positions and will include a generous base salary and profits related bonus, plus the usual benefits.

SENIOR SWAPS SPECIALIST

The Bank has decided to develop a significant role in the market for swaps and derivative products, with emphasis on ECU, and will allocate sufficient capital to support a trading inventory of swap positions.

The ideal candidate will have at least four years experience with one of the leading firms specialising in this field and will be mature enough to set up and manage all aspects of this activity: trading, portfolio management, documentation and administration.

MANAGER - INSTITUTIONAL SALES

The Bank has a dominant position for securities distribution in its domestic market and has a strong reputation for the quality of its research. It actively traders and makes markets in those euro-securities where it has acknowledge expertise and is developing a European network of affiliated stockbroking units. The Bank's research product is being broadened to provide in-depth coverage of euro-securities and domestic European securities.

The ideal candidate will have at least seven years securities sales experience which will allow him to build a team, integrated with the Bank's traders and research specialists, to develop sales of a wide range of euro-securities and European equities and bonds, primarily to UK-based institutional investors.

EXPERIENCED EUROSECURITIES DEALER

The Bank is expanding its secondary market trading team and is looking for a seasoned dealer with at least five years experience, preferably in ECU and non-dollar issues.

Applications, including full career details and current salary, will be treated in strict confidence. Write Box A1069, Financial Times, 10 Cannon Street, London EC4P 4BY

Assistant Loan Manager

PALL MALL

HAMBROS

An opportunity has arisen for an ambitious young corporate banker in the dynamic environment of our Pall Mall office. You will provide a key relationship management role to the small corporate sector including the development of new business.

You should be an ACIB with up to five years experience, preferably in retail banking, with good credit assessment and judgemental skills and experience of charged securities.

This position demands a high degree of interpersonal skills and professionalism.

Opportunities for career development within Hambros Bank Limited are excellent.

The preferred age range is 25-30 years.

A competitive salary and range of benefits is available for this position. Please write enclosing a full CV to Mr. E. Harvey, Manager, Hambros Bank Limited, 67 Pall Mall, London SW1Y 5EU.

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

EUROPEAN EQUITY SALES

A major international investment bank is seeking to build its European Equity Sales Force. Applicants will specialise by country rather than industry — in particular, France, Germany and Switzerland. If you have a proven track record selling European equities to U.K. institutions from a recognised City bank then please call for further details.
Please contact Christine Clayton

U.K. LENDING — ASSISTANT MANAGER — To £25,000

One of the world's largest banks is seeking a new lending officer for its London branch. Candidates, aged between 27 and 35, should be graduates with some of their training from within a clearing bank. In helping the bank to further develop its business in the U.K., they require a combination of sound credit and business development skills.
Please contact David Little

CREDIT ANALYST — To £20,000

Our client, a prestigious European bank, is looking to recruit a young credit analyst for their Corporate Banking Department. Applicants should preferably have the A.C.I.B. exams, American bank credit training and a minimum of 2 years' experience. The job will include some client exposure and has excellent prospects for the ambitious.
Please contact Caroline Huddart

ASSISTANT COMPLIANCE OFFICER — £25-£28,000

One of our clients, a leading City based European bank, is currently seeking to recruit an Assistant Compliance Officer. Your responsibilities will include the day to day running of the Compliance Department and assisting the Head of Department with various tax obligations of the bank. Applicants should have either A.C.A. or A.C.C.A. qualifications and have had previous compliance experience gained from within an international bank.
Please contact either Brenda Shepherd or Simon Pope

CREDIT ADMINISTRATION — c£25,000 + Benefits

We have an opening for a graduate or A.C.A. with fluent German to join a new department of an established international bank in the City. Experience will be required of loan reviews, credit administration and credit analysis for secured lending to high net worth clients. This is an exciting opportunity to help set up and possibly take over an expanding area with international travel involved.
Please contact either Brenda Shepherd or Simon Pope

EUROBOND SALES

Our client, a highly respected international bank, is seeking to increase its share of the fixed income market. They are recruiting a number of people who have at least two to three years' experience of fixed income sales, particularly in U.S. Dollars, Deutsche Marks and Japanese Yen. Applicants must be high income producers and team players.
Please contact Keith Snelgrove

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

Banking Executive

Hill Samuel Bank Limited, one of the City's leading Merchant Banks, is seeking to appoint a Credit Analyst to join its Property Lending team within the Commercial Banking Division.

The suitable candidate is likely to be aged 22-28, probably currently working within a Clearing or similar bank environment and who has had general experience in most aspects of credit assessment. Preferably applicants will have passed their banking examinations or be well on the way to doing so. This post offers good promotional prospects for the right candidate.

In addition to a competitive salary, we offer excellent fringe benefits including profit share, subsidised mortgage and loan schemes, non-contributory pension scheme, free life assurance and BUPA.

Please send a full curriculum vitae quoting reference AWC in strictest confidence to:

Mrs Anne Dunford,
Manager – Personnel Department,
Hill Samuel Bank Limited,
100 Wood Street,
London EC2P 2AJ.

HILL SAMUEL
MERCHANT BANKERS

A member of the TSB Group.
A member of The Securities Association

SALES EXECUTIVE
Natural Resources

W. I. Carr, the international stockbroking arm of Banque Indosuez, require a sales executive to join a well established, research based Natural Resources team. We specialise in global analysis of metals and oil markets as well as the related companies. Through our subsidiary company in Canada we also cover forest products.

Applicants should have at least two years' experience in the area and good institutional client connections.

The remuneration package will be fully competitive and will reflect the experience and potential of the applicant.

Please reply, in confidence, attaching detailed curriculum vitae to: Chris Orchard, W. I. Carr Group, No. 1 London Bridge, London SE1 9TJ. Tel: 01-378 7050

W·I·CARR
Banque Indosuez Group

A WEST END BASED BRITISH REGISTERED BANK

Seeks suitably qualified staff for its expanding activities in the following Departments.

Trade Finance Department – Officer
Age to 35 yrs
Applicants must be presently occupying a supervisory, checking and signing role and will be well versed in all aspects of Trade, Letters of Credit, Bill Discounting etc., with a complete understanding of U.C.P.

Advances Department – Securities Officer
Age to 25 yrs
Applicants will have a Clearing bank background and be capable of completing "in house" all standard forms of security. Ability to liaise with lawyers on cross border or the more complicated facility and competance to construct detailed facility offers is a prerequisite.

Advances Department – Analyst
Age to 25 yrs
Applicants will be formally trained with exposure to UK commercial trading clients. Must be able to spread and write clear reports on Balance Sheets and construct corporate cash flow profiles etc.

Central Filing Clerk
Will be an experienced person able to establish and run a centralised filing system covering all aspects of the Bank. Must be familiar with the output from the various departments within a bank.

Attractive salaries together with the usual fringe benefits are offered, as well as the opportunity for further career development.

Please write and include your C.V. to the Managing Director, Private and Confidential, Box No. A1066
Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY

ROYAL LONDON

UK and Far East
Fund Management Appointments

The Royal London has total assets under management in excess of £2bn, including insurance funds, pension funds and unit trusts. In preparation for major strategic developments in 1989, additions are being made to the fund management team.

From the outset, the successful applicants will be involved in research, stock selection and dealing, and will be expected to be able to fill positions of responsibility at an early stage. The remuneration package will be competitive, including a performance-related bonus, and prospects for rapid career advancement are excellent.

Applicants should be in their early to mid 20s and have at least an upper second class degree. A keen interest in international affairs and good interpersonal skills are essential.

If you are interested, please write enclosing cv to

M. J. Yardley, F.I.A., Investment Manager, The Royal London, Mercury House, Triton Court, 14 Finsbury Square, LONDON EC2A 1DP.

University of Durham

DIRECTOR OF THE BUSINESS SCHOOL

Applications are invited for the post of Director of the University of Durham Business School, tenable from 1st October 1989, or as soon as possible thereafter.

The Business School has achieved rapid growth over the past four years (current income approximately £2½ million). Continued expansion is planned into the 1990s, both in Europe and overseas.

The successful candidate will provide energetic and imaginative leadership in the next phase of development and will represent the School inside and outside the University. Applicants should have good academic qualifications, a wide range of contacts in higher education, commerce, industry and recent experience at senior level in at least one of these areas.

The appointment will be for a period of five years in the first instance, and may be extended for a further fixed period. The salary range will be negotiable when the post is offered, in a range minimum £23,380, average approx. £28,000.

Further particulars from the Registrar and Secretary, University of Durham, Old Shire Hall, Durham, DH1 3HP (Tel. 091 374 2938) to whom applications (12 copies), naming three referees, should be sent by **Friday, 6th January, 1989.** (Candidates outside the British Isles may submit only one copy).

UNIVERSITY OF BRADFORD
THE MANAGEMENT CENTRE

Appointment of Director

The University is seeking a successor as Director of the Management Centre to Professor J.C. Higgins who will be retiring in 1989.

The Management Centre is one of Europe's oldest and largest business schools. The Director will be expected to have a thorough understanding of the environment within which business schools operate and the creative ability to develop strategic initiatives for the 1990's. The appointment may be made for a fixed term of not less than five years in the first instance. It will carry the title of Professor and the salary level will take into account the importance of the appointment.

Further particulars may be obtained from the Acting Registrar, University of Bradford, West Yorkshire, BD7 1DP to whom applications should be sent by 14th January, 1989. An equal opportunity employer.

CAZENOVE
&CO.

Traded Options Institutional Sales

Cazenove & Co. wishes to enhance its service to institutional clients in traded options and is seeking to recruit a specialist salesman.

THE POSITION
◇ Concentrating exclusively on traded options sales, the successful candidate will have full technical and analytical support.

QUALIFICATIONS
◇ Candidates are likely to have worked in a major securities firm transacting traded options business for institutional clients.

REMUNERATION
◇ Cazenove & Co. wishes to attract candidates of the highest calibre and will offer appropriate remuneration and excellent long term career opportunities.

Please write in confidence
quoting reference G4504
54 Jermyn St, London SW1Y 6LX.

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SPECIALISTS IN SENIOR MANAGEMENT SELECTION
01-493 3383

Futures and Options Account Executives

As part of a planned expansion programme, our client, a leading futures and options brokerage house, wishes to recruit a number of high calibre Account Executives.

Candidates should have a proven track record of dealing with institutional and corporate clients, with a minimum of five years experience in the major futures, options and securities markets. Applicants should have the ability to make an immediate contribution to our client's business development.

For individuals with the necessary drive and ambition, our client is offering an excellent opportunity for substantial client base development, backed by the resources of the world's largest clearer of futures and options contracts.

As you would expect, the salary package involved will be negotiable. Applicants should forward their details in strictest confidence to:

Andrew Grant
Burson-Marsteller,
24-28 Bloomsbury Way,
London WC1A 2PX.

Burson-Marsteller Financial

APPOINTMENTS WANTED

ENTHUSIASTIC QUALIFIED 21 YEAR OLD SEEKS EMPLOYMENT IN MARKETING

EDUCATION	Uppingham School - 10 'O' Levels 3 'A' Levels Bristol Polytechnic - Higher National Diploma in Marketing
INTERESTS	Sailing, shooting, skiing, rugby and racquet sports. Enjoys following financial markets and economic policies.
WORK EXPERIENCE	Advertising, Stockbroking, Commodity Broking.
TRAVEL EXPERIENCE	Europe, Canada.

Write Box A1051, Financial Times, 10 Cannon Street, London EC4P 4BY

NORWICH UNION FUND MANAGERS LIMITED

INVESTMENT ANALYST

Norwich Union is one of the fastest growing insurance and financial services groups in the UK, a market leader and an equal opportunities employer.

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Educated to degree level you should have at least 3 years' relevant experience. A sound analytical training coupled with an enquiring mind, good communication skills and a high level of self motivation are essential.

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COMMODITIES AND AGRICULTURE

Brussels set to pull the plug on wine lake

By Bridget Bloom, Agriculture Correspondent

THE EUROPEAN Commission in Brussels will shortly be given the green light to try to sell off Europe's wine lake, built up through years of over-production and currently amounting to 1m tonnes of alcohol, the equivalent of 12bn bottles of wine.

The agreement is being finalised just as new arrangements intended to control future over-production of table wine enter fully into force.

The Commission hopes that, if the sales are successful, the new wine regime will start with a clean slate, and prove more effective than the old one.

However, getting rid of the wine lake is likely to prove expensive – one estimate puts the cost at some Ecu 1bn (£650m), nearly as much as the wine regime costs in a year. Finding buyers could also prove to be difficult.

Wine surpluses are stored in the form of alcohol and the Commission believes that the most likely buyers would be power stations, which could process and burn the product as boiler fuel, or secondary oil companies which would use the alcohol to raise the grade of petrol.

The wine stocks have been amassed mainly over the last four years, the result of compulsory distillation schemes designed to bring production of table wine more into line with demand, which has been on a declining trend for over 20 years.

These EC-financed stocks amount to just under 10m hectolitres, or 1m tonnes, of alcohol. However, a further 3m to 4m hectolitres of alcohol is thought to be stored at the expense of wine-producing member countries, which are responsible for voluntary distillation schemes.

The wine lake has not been drained up to now principally because the Commission has been required to obtain a minimum price for the alcohol.

This condition is in the process of being dropped, an agreement to that effect needing only the formal approval of the European Council and the British Parliament. Both are likely by Christmas.

Commission officials organising sales of the alcohol are required not to disturb conditions of competition either within the EC or on world markets, but are chary of disclosing prices at which the alcohol might be offered. Observers believe it could be some Ecu 70 a tonne or less.

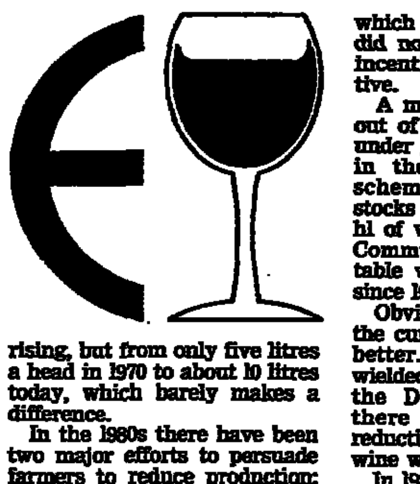
The cost to the EC comes both from storage and distillation and from the major loss in disposing of the product at a price far lower than the wine was originally bought from the grower.

Total wine production in the EC last year amounted to some 193m hectolitres of which about 130m was table wine and thus subject to EC support measures.

This year, the wine harvest is thought to be some 30 per cent down, entirely due to the vagaries of the weather, and to disease in producing countries, rather than to successful production controls.

Curing the EC's alcohol problem

Bridget Bloom continues our series on agricultural spending curbs



IN THE topsy turvey world of the European Community's common agricultural policy, sales of surplus stocks are seen as a "Good Thing", even though to the lover of wine, its sale for use as a petrol additive or boiler fuel might seem sacrilegious.

Officials of the European Commission in Brussels are anxious to dispose of the Community's wine lake, however, if onlybecause once it has gone (even if it is effectively given away) the slate is wiped clean, ready to test whether new efforts to prevent such surpluses recurring will be more successful.

For the critical problem about wine in the EC is that over-production seems perennial: Europe produces far more table wine (the only wine supported by the CAP than it drinks or can export. Despite a decline in vineyard acreage over the last 20 years, yields and thus production have increased while consumption has declined.

Last year, total wine production was 193m hectolitres, of which about 130m was table wine. Consumption of table wine however was only some 98m hl (Production and consumption of quality wines were roughly in balance)

Commission officials see no levelling off in the declining demand for table wine. As palates have matured and incomes have improved, wine has been bought for sipping rather than swigging, while beer consumption has been on the increase.

Consumption in France, the heaviest wine drinking country, has fallen from an annual 130 litres a head after the war, to 85 litres in the early 1980s and 75 litres today. Similar patterns are recorded in Italy and Spain.

In Britain consumption is rising, but from only five litres a head in 1970 to about 10 litres today, which barely makes a difference.

In the 1980s there have been two major efforts to persuade farmers to reduce production: the first was agreed at the summit of EC leaders in Dublin in 1984 while the second formed part of the so-called "budget stabilisers" which were agreed by Community heads of government at the Brussels Summit last February.

In both cases a carrot and stick approach was chosen. The stick takes the form of minimum support prices which are lowered if production goes over agreed stock levels (five months consumption). Linked to this have been schemes to distil the surpluses into alcohol.

The carrot is represented by aid to farmers to grub up vineyards. Linked to this, in last February's Brussels agreement, is exemption from obligatory distillation, provided a grower removes at least half of his vineyard.

The Dublin settlement, reached with great political difficulty, failed to bite. This was principally because farmers could still make a profit at the prices they were required to sell their surpluses for voluntary or obligatory distillation, which in turn meant that they did not find the grubbing up incentives sufficiently attractive.

A maximum of 20,000 ha – out of a total of some 2m ha under grapes – were removed in the three years of the scheme's operation, while stocks amounting to some 100m hl of wine, or nearly a year's Community consumption of table wine, have accumulated since 1984.

Obviously, officials hope that the current agreement will do better. The stick they have wielded is stronger than that of the Dublin settlement, for there will be swingeing reductions in the price paid for wine which must be distilled.

In 1987-88 producers received a weighted average of 50 per cent of the minimum support – or guide – price for the first 12.5m hl sold for distillation and 40 per cent of the guide price for all quantities thereafter. In the new wine stabiliser, vineyard owners will be paid 50 per cent of the guide price for only about 10m hl of surplus and 7.5 per cent thereafter.

The carrot is, by contrast, designed to be more attractive. If a farmer takes out half or more of his acreage under vines, he will get substantial aid and will be exempt from obligatory distillation on the remainder of his production. Amounts of the grubbing-up aid are partly dependent on yields, but, for example, on a 20 ha holding they could amount to between Ecu 52,500 (£35,000) and Ecu 92,000, paid in a lump sum, or over eight years.

Will the stabiliser work? It is early to tell, since the scheme only came into force for the 1988-89 wine year (beginning September) and details of it are only now filtering through to farmers.

Doubts as to its immediate efficacy centre on two problems. Firstly, officials seem likely to defer the punitive price reductions on wine for distillation until the 1990-91 season. Secondly, the grubbing-up aid may well not be taken up in quantity in the first year partly because of administrative problems, but also because poor weather and disease (rather than production controls) have resulted this year in a harvest some 30 per cent below that recorded in 1986-87.

The aim of the new stabiliser is to reduce the acreage under vines throughout the Community by 30 per cent or some 700,000 ha in the next eight years, which many observers believe is ambitious.

There are also doubts on whether the swingeing price cuts will have the desired effect. Last year, when producers got an average of 43 per cent of the minimum price for their surplus wine, they held back nearly 5m of the target of 33m hl of wine for distillation.

While the major difficulty with the wine regime is political – it is immensely difficult to persuade a small grower with a hectare or two of vines that he should give them up – an additional "problem" is that it does not swallow up huge Community funds.

Support for wine cost the EC farm budget Ecu 1.6bn in 1987-88 while the preliminary draft budget for 1988-89 is Ecu 1.25bn.

There will probably be no net savings over the next few years, since these are due to be taken up by the grubbing-up aid. But even with the costs of disposing of the surplus stocks, wine imposes nothing like the budgetary burden that provoked reforms in the dairy or oilseeds sectors.

Zinc price climbs to fresh record

By Kenneth Gooding, Mining Correspondent

ZINC IS the latest metal to set new record prices. On the London Metal Exchange yesterday, the price of high grade zinc for delivery in three months touched $1,550 a tonne in morning trading before closing at $1,540.

This was $18 up on the day and just ahead of the previous peak of $1,538, reached in mid-October at the start of the Peruvian miners' strike, now in its eighth week.

The highest price so far paid for zinc on the LME was $1,672 a tonne for high grade metal for immediate delivery on October 19.

Traders said yesterday's rise reflected speculative demand based on predictions by chart analysts rather than on any news about changes in fundamental market conditions.

Although stocks are low and falling, physical demand recently has been routine and consumers have been reluctant to commit themselves to further forward purchases because of uncertainty about the pricing system to be adopted by the industry in 1989.

The industry is trying to work out a system based on the new LME Special High Grade zinc contract.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,000-2,050 (2,040-2,085).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.05-6.15 (6.00-6.10).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.00-7.35 (same), sticks 7.00-7.35 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.50-7.70 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 285-300 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.45-3.50 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.90-9.30 (9.20-9.40).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-63 (same).

VANADIUM: European free market, min. 98 per cent, VO, cif, 6.20-6.70 (6.00-6.30).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

Bauxite producers rallied by aluminium's strength

Canute James on the industry's improving health

HIGH ALUMINIUM prices have boosted the fortunes of the world bauxite industry, but many producers of the ore feel they are not getting a big enough slice of the aluminium cake.

At about $2,400 a tonne, the London Metal Exchange price for high grade aluminium is well below the record $4,205 a tonne reached in June, but it is still more than $700 above the level ruling a year ago. However, because of over-capacity and over-production in their industry, bauxite producers are not in a position to gain the full benefit from this.

At the annual meeting of the International Bauxite Association, in Kingston, Jamaica, this month, ministers from producing countries "noted with satisfaction the improvements being experienced in some sectors of the industry, namely alumina (aluminium oxide) and aluminium." But they also grudgingly accepted a smaller share of the returns by setting 1989 recommended minimum prices for bauxite and alumina (as proportions of the primary aluminium price) at lower levels than for this year.

The association's ten members, which account for about three quarters of world bauxite output, and just over a half of alumina production, lamented the fact that "the benefits (of the aluminium price rise) had not yet flowed into the bauxite sector." Mr Hugh Hart, Jamaica's Mining Minister, said this was because over-capacity and over-production in the crude bauxite industry.

Returns to refiners producing alumina were also low, Mr Hart said, although the price for the product was strong. He blamed this on the increased cost of caustic soda – a major factor in bauxite refining costs – from $100 a tonne last year to $600 this year.

Nevertheless, Mr Hart said the world bauxite industry "is presently in good health and is certainly better than it was over the last few years."

There was a danger, however, that the current high prices will lead to rapid expansion in capacity. "Careful and deliberate management of the supply, demand and inventory aspects of the industry are going to be needed to avoid the errors of the past which led to such grief within recent times," the Jamaican minister suggested.

"While the industry cannot be overly cautious in regard to future capacity to meet future growth, it is important that additional capacity should be realistically measured and developments proceeded with accordingly."

The association's members include Australia, Guinea and Jamaica, the world's three leading producers of the ore, with Indonesia, India, Yugoslavia, Sierra Leone, Ghana, Surinam and Guyana.

When it was launched in 1974, metals companies feared they would be faced with an Opec-type cartel. This has not materialised, and representatives of member countries have said repeatedly that it bauxite was never their intention.

The IBA, they said, served its members through the exchange of information and ideas on developments in the industry, and offered a guide for price setting. Each year it recommends minimum prices for bauxite and alumina which are pegged to the aluminium price, with the intention of giving ore producers a share of any increases gained by the metal producers.

Such has been the increase in aluminium prices, however, that the association has reduced the bases for its recommended minimum prices. "The market situation has strongly benefitted the price of aluminium and the IBA is in a position to lower the minimum recommended prices to reflect what is happening in the market," explained a senior official at its Kingston headquarters. "When we had set the 1988 prices no one anticipated the extent of the increase in aluminium prices this year."

The official said member countries were not bound by the recommended minimum prices, and that some members often sold below what the IBA suggested in order to maintain or increase their market share.

The association's ministerial council has recommended that the minimum price for metallurgical base-grade bauxite sold in 1989 should be between 2 per cent and 2.5 per cent of its reference price for primary aluminium ingot. This is the weighted average of prices in major markets in North America, Europe and the Far East. For this year the recommended minimum price for bauxite is between 2.5 per cent and 3.5 per cent of the reference price.

For alumina, next year's recommended price is between 12.5 per cent and 14 per cent of the reference price for aluminium ingot, down from between 14 per cent and 18 per cent for this year.

Several member countries are reported to agree that in its 15th year the IBA should make a concerted effort to widen its membership in the hope of increasing its strength in representing crude bauxite producers. The targets are Brazil and Venezuela, among the leading producers in South America.

Brazil responded to earlier approaches by accepting the status of an observer to the IBA, but has shown little interest in joining the association. "Brazil would be a big catch for the IBA," said one Caribbean delegate to the ministerial conference. "But Brazil's industry is doing very well without us."

Dr Pretaap S. R. Radhakishun, Surinam's Minister for Natural Resources, is supporting the effort to recruit Brazil and Venezuela. "If we do not strengthen our collective position, of which the IBA is nothing more than a reflection, I fear the worst during another crisis," he said.

First Olympic Dam uranium loaded

By Chris Sherwell in Sydney

THE FIRST shipment of yellowcake (uranium oxide) from Olympic Dam – Australia's third uranium mine under the Government's restrictive three-mine policy – was under way yesterday despite noisy demonstrations from anti-nuclear protesters.

The 120-tonne consignment was being loaded at Port Adelaide for shipment to Sweden's State Power Board. Also on board was 2,000 tonnes of copper from the mine in a total shipment worth A$16m (£7.6m).

Olympic Dam is a A$750m joint venture between Western Mining and British Petroleum located hundreds of feet beneath the arid plains of South Australia. It has the world's biggest uranium ore body, and its development was the subject of political controversy for years.

Apart from Sweden, the companies have contracts with the UK's Central Electricity Generating Board and South of Scotland Electricity Board, the South Korean Power Board and the Japanese Kansai utility. Further Japanese contracts are being sought to replace South African supplies.

For the first shipment, which will be the only one this year, a convoy of ten trucks, two recovery vehicles and a police escort travelled for ten hours from the mine to Port Adelaide, arriving at around 2.30 yesterday morning.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices fell in late trading yesterday, finally giving way to pressure from sterling's rise against the dollar, traders said. Chances of an increase in ICO export quotas remained the central focus. Dealers said this might take longer than previously expected because of the decline in New York prices on Monday. New York traded higher yesterday, but mainly because of the weak dollar. Cocoa prices were little changed as the market continued to wait for news of the proposed deal between France and the Ivory Coast. The strength of sterling depressed copper prices, which in the afternoon continued to reflect an erratic Comex, traders said. Aluminium tracked copper downwards in the absence of fresh fundamental news. The nickel market remained on the defensive following an oversubscribed US Mint tender on Monday.

SPOT MARKETS

[illegible]		

COCOA £/tonne

	Close	Previous	High/Low	
Dec	865	863	868	847
Mar	882	883	887	865
May	878	872	880	862
Jul	881	874	881	866
Sep	881	876	884	868
Dec	905	899	904	887
Mar	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE £/tonne

[illegible]	

SUGAR ($ per tonne)

[illegible]	

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						
Cash	2375-85	2405-15		2400-5		
3 months	2317-20	2330-5	2345/2320	2330-3	2320-3	[illegible]
[illegible]						

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]	

POTATOES £/tonne

[illegible]	

SOYABEAN MEAL £/tonne

[illegible]	

FREIGHT FUTURES $10/index point

[illegible]	

GRAINS £/tonne

[illegible]	

COTTON

LIVERPOOL- Spot and shipment sales for the week ending November 25 came to 1402 tonnes against 3099 tonnes in the previous week. Orders moved fast with moderate interest mainly in Russian and West African growths.

JUTE

[illegible]	

LONDON BULLION MARKET

[illegible]	

CRUDE OIL $/barrel

[illegible]	

GAS OIL $/tonne

[illegible]	

US MARKETS

IN THE METALS, gold and silver prices fell shortly as some dealer selling was seen, reports Drexel Burnham Lambert. Switch activity was also a major feature as first notice day approaches. Stability in warehouse stocks prompted local selling in the copper. Volume was lighter than previous sessions. The soft commodities featured trade buying late in the day rallying prices up 33 in March. A widening of the July/March spread contributed to the bullish reaction. Coffee futures again had good spec selling against Reuter price fix buying. Cocoa futures had a quiet session. In the grain markets, the soy complex was dominated by professionals who sold early and supplied the late rally. Soymeal was pressured by softer undertones in the cash market. Oil was soft on profit-taking. Corn futures were listless with no export news to report. Trade buying in the wheat was sparked by news of upcoming Soviet purchases. In the meats, mixed trading in the bellies, hogs and cattle took place as short-covering and rollovers offset weak fundamentals. The energy markets gave back some of the gains made on Monday as trade groups were steady sellers throughout the day.

New York

[illegible]	

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	14.87	15.03	15.25	14.73
Feb	14.76	14.91	15.14	14.64
Mar	14.77	14.85	15.10	14.66
May	14.80	14.85	15.09	14.79
Jun	14.80	14.85	15.08	14.80
Jul	14.75	14.85	15.12	14.75
[illegible]				

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	753/6	749/4	755/0	739/0
Mar	766/4	762/4	768/0	752/0
May	770/4	766/4	772/4	757/0
Jul	770/0	766/6	771/0	758/4
[illegible]				

LONDON STOCK EXCHANGE

Equities fail to sustain early rally

THE LONDON stock market did its best to manage a technical rally yesterday after two sessions of sliding share prices, but was held back by the renewed weakness of the US dollar.

An early gain of 12 FT-SE points was whittled away as the fall in the dollar fuelled concerns that US interest rates might be forced higher, and put similar pressures on London markets which are still grappling with last week's jump to 13 per cent UK base rates.

The initial improvement in equities, which owed more to marking up operations by marketmakers looking for stock than to genuine investment interest, faded fairly quickly. London looked uninspiring at the close.

Account Dealing Dates		
First Dealings:		
Nov 14	Nov 28	Dec 12
Option Declarations:		
Nov 24	Dec 8	Dec 22
Last Dealings:		
Nov 25	Dec 9	Dec 23
Account Day:		
Dec 5	Dec 19	Jan 9

*New time dealings may take place from 9.00 am two business days earlier

Some blue chip stocks, notably ICI and British Airways, managed to resist the implications of sterling's strength, and attracted buyers following their recent losses. Gains were cut back towards the end of the session, however, and some international stocks closed lower.

Oil shares were slow to respond to the Opec agreement to aim at $18 a barrel oil prices and US support was lacking in late dealings.

Financial stocks continued to attract buyers seeking sectors likely to benefit from the increase in domestic interest rates. UK housebuilding issues remained out of favour although Hambros, the UK financial group which has a house sales subsidiary, stressed that the housing downturn could be "shorter and less serious" than some suggest.

At the close, the FT-SE Index showed a gain of 5.4 points at 1786.9, still 2.5 per cent down since Friday's announcement of a record monthly UK trade deficit for October. Seaq trading volume, incorporating both retail and inter marketmaker trading, declined to 408.4m shares from Monday's 421.4m.

The takeover sector showed signs of revival in the wake of the Hanson group's plans to increase its borrowing limits. While analysts believe that Hanson's predatory plans are focussed on the other side of the Atlantic, a list of possible UK targets, ranging from Boots to Consolidated Gold Fields circulated again yesterday.

Also fuelling interest in Gold Fields was a major presentation by the group in London, hosted by Phillips & Drew and attended by more than 60 representatives from UK institutions.

However, the dollar's weakness despite higher US prime rates heightened worries over upward pressures on the Federal discount rate, which could come to a head on Friday when the latest batch of US economic data is due.

FINANCIAL TIMES STOCK INDICES

	Nov. 29	Nov. 28	Nov. 25	Nov. 24	Nov. 23	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.96	86.96	87.48	88.00	88.19	89.76	91.43 (18/4)	86.28 (12/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.31	97.24	96.87	97.00	97.04	96.38	98.67 (25/8)	94.14 (8/11)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1455.4	1452.9	1462.6	1493.7	1497.4	1249.8	1514.7 (8/8)	1348.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	181.1	179.4	175.7	173.3	168.0	338.3	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Nov. 29	Nov. 28	Nov. 25	Nov. 24	Nov. 23	Year Ago
Ord. Di. Yield	4.90	4.90	4.87	4.76	4.75	4.96
Earning Yld %(full)	12.33	12.30	12.20	11.94	11.90	12.27
P/E Ratio(Net)(☆)	9.82	9.85	9.93	10.14	10.15	9.98
SEAQ Bargains(5pm)	21,929	24,088	32,373	25,259	24,410	25,280
Equity Turnover(£m)†	-	850.34	1381.08	1176.41	1172.58	770.29
Equity Bargains†	-	24,443	31,731	27,421	24,755	28,238
Shares Traded (ml)†	-	350.0	677.1	496.8	459.4	369.2

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1460.6	1461.2	1459.7	1454.9	1454.1	1455.0	1455.2	1454.4

DAY'S HIGH 1462.5 DAY'S LOW 1454.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 9.77 †Excluding intra-market business.

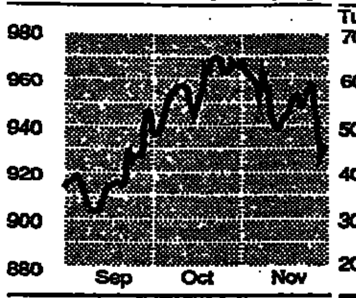
S.E. ACTIVITY

Indices	Nov 28	Nov. 25
Gilt Edged Bargains	115.1	128.8
Equity Bargains	158.4	205.6
Equity Value	1718.9	2791.5
5-Day average		
Gilt Edged Bargains	105.2	100.8
Equity Bargains	172.0	171.0
Equity Value	2360.8	2305.0

London Report and latest Share Index Tel. 0898 123001

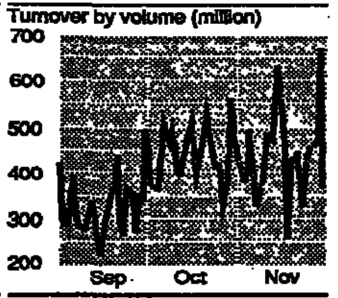
Another Lonrho chapter

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Lonrho shares rode the roller-coaster yesterday as yet another chapter was written in one of the market's top speculative attraction. The shares jostled between 385p and 368p in re-vitalised trading as the market awaited clarification of reports that Mr Alan Bond had submitted a tender offer for Texaco Canada, which could suggest he is less likely to bid for Lonrho.

Mr Bond was later confirmed to be involved in a tender for the Canadian oil major which is valued at around C$3.7bn. Commenting on the news, a London analyst said: "Some may feel this is a clever ploy. There is little doubt that some Lonrho shareholders were frightened this morning and sold their investments. My view, however, is that Mr Bond is creating a smokescreen to divert attention away from his real target, which continues to be Lonrho."

Other researchers tended to agree. One added: "Mr Bond has every intention of increasing his 21.5 per cent (Lonrho) stake. A market raid is still possible and I would not wish to be short of the stock." The shares then recovered to end the session 3 up on the day at 382p, after turnover of 8.6m.

ICI presents

After its heavy fall on Monday, ICI returned to favour on the back of a major presentation to sixty institutional investors hosted by Warburg Securities. The shares rose 9 to 976p in turnover of 1.2m.

Warburg's chemical analyst, Mr Chris Marsay commented: "We continue to rate the shares a 'buy' and are forecasting £1.5bn for the current year." Mr Denys Henderson, ICI chairman, led the presentation which argued that there has been a dramatic turnaround in the company since the early 1980's and focussed on investors' concerns about the bulk chemical business and the effect of currency exposure on company profits. On the bulk side, ICI has made heavy investment which is expected to pay off in the early 1990's, with worries about over-capacity diminished by the buoyancy of world demand.

The exchange rate issue was acknowledged to be more complicated and, according to Mr Marsay, "the sterling/Dmark rate is the key. In the short term, the strength of sterling will have a detrimental effect, but in the longer term sterling should be steady or may even weaken which would be good for ICI."

The slide in crude oil prices, amid worries that the OPEC agreement to cut output may not succeed, caused plenty of turbulence in the oil and gas sector.

In much reduced turnover BP oil closed a shade off at 245p and the new a similar amount down at 144¼p. Shell, despite growing optimism that the forthcoming scrip issue will bring a flurry of support for the shares, closed a few pence off at 983p. There was modest support for British Gas, which ended the session a fraction up at 157p — "a creditable performance given last Friday's bombardment," one senior trader in oils commented.

But there was keen interest for Burmah and Calor with the latter heavily bought after a spate of buy recommendations during the past week. The shares were finally 3 firmer at 386p, after 387p; Citicorp, commenting on the the recently announced interim figures, rates the shares a "strong buy," while County NatWest and Hoare Govett both highlight the group's "attractive and sound yield".

Premier Consolidated put on 2 to 65p after the preliminary figures and also reflected market hints of good news of the exploration front.

International stocks were mixed. Hanson rose 3¼ to 155½p in turnover of 16m shares. Following Monday's news was talk that the company plans to increase the dividend on its ordinary shares in order to try to persuade holders of its convertible stock to exercise their option to convert, thereby reducing the company's financing costs.

The issue of the diversified engineer Fairey, two years after the group became independent following a management buyout, was over-subscribed, but failed to sustain an initial premium in the first day's trading. The shares touched 157p in early trading, but later fell back to 154p, a penny below the offer price.

Mountleigh gathered late momentum with the market resounding to stories of a bid of 210p per share this morning. This would be from a US-based consortium and not major stakeholder, the Galleras consortium, so the gossip went. Mountleigh shares broke from a trot into a run to end 8½ higher at 189p½.

Great Portland, generally regarded as the Property sector's leading takeover contender, jumped 16 further to 387p while Hammerson "A" advanced 12 to 884p awaiting developments in the bid situation. Leading issues also rose, but were slightly overshadowed by the gains in stocks such as Imry Merchant, 13 up at 438p, and Priest Marians, 8 dearer at 403p.

The banks maintained their recent progress, with dealers citing the sector's traditional strengths during periods of high interest rates. Midland, especially, was heavily bought and raced up 10½ to 422p, albeit in rather thin trading of around a million shares. Gains of around 5 apiece were registered by Barclays, 418p, Lloyds, 327p and NatWest, 541p.

Merchant banks picked up with Morgan Grenfell strongly bought and finally 8 to the good at 305p with the market alive with talk of possible retrenchment in the bank's securities operations. There were also stories in the market that Bond Corporation may have experienced difficulties in placing its near 9 per cent stake in the merchant bank.

Hambros Bank held at 222p after 224p, after revealing interim profits of £38.63m, well up on market forecasts.

Amstrad remained on offer after the wholesale profits downgradings initiated on Monday, and the shares lost 3 more to 152p; turnover was 4.6m. UKL, after an analysts visit, fell 4 to 404p.

Thorn EMI made early progress and touched 647p before slipping back to close unchanged at 644p; Morgan Grenfell rate the shares a "buy" and forecast "excellent" interims due on December 8. Morgans say pre-tax profits at Thorn should come out around £98.5m, up more than 48 per cent on last time.

Dealers continued to await with caution the deadline on Friday morning for applications for shares in British Steel. With no grey market in the issue, forecasts centred around the IG Index quotation, which invites customers to estimate the closing price of the 60p partly-paid shares on Monday, the first trading day. This edged higher yesterday to 66p-69p, from 64½p-67½p overnight.

S&W Berisford dropped 2 to 408p, despite comment in the market that a European consortium might have approached AB Foods with an offer to buy its stake. There has been very heavy turnover of Berisford over the last few weeks, with nearly 20 per cent of the company's shares said to have changed hands.

Chamberlain & Hill, foundry operators and electrical engineers, were up 25 to 220p as the market digested the interim profits. Wilshaw added 2¼ to 25½p on rumours of a new paint process, while Booth Industries put on 11 to 131p in anticipation of results.

Ladbroke was marked sharply lower at one stage on talk that it might be about to bid for Hilton Corporation of the US, the group which manages Ladbroke's chain of Hilton hotels. A company spokesman officially denied the speculation and the shares rallied to close just 3 down at 436p, after 434p. Turnover was 2.5m which dealers said included some institutional selling and there was persistent late talk that Ladbroke was preparing to announce a major deal, possibly involving a Swiss acquisition.

Mount Charlotte also caught the eye in a quiet Leisure and Hotel sector, rising 7 to 158p on renewed talk that a bid is not far off. Ladbroke was mentioned as a possible predator, as was Sir Ron Brierley's IEP Securities which recently declared a stake. Dealers reported sizeable buying interest yesterday, but noted that the shares were standing 15 per cent below their recent high and were due for attention.

Johnson Fry bounded higher, greeting the agreed shares and cash offer from LIT Holdings with a vault of 65 to 167p. LIT ended 6 lower at 145p. GT Management also figured prominently, responding to revived bid speculation which found one marketmaker extremely short of stock. Reflecting efforts to close the short position, the shares raced to 185p before closing 14 higher on balance at 177p.

Polly Peck recovered 8 to 283p now that selling of the new shares resulting from the recent rights issue, which were quoted fully-paid from Monday, has ceased.

Activity in the Traded options market continued to run at a high level, reaching 44,316 contracts, consisting of 26,941 calls and 17,375 puts. FT-SE 100 index trading again ran took a high share, at 10,885 matched contracts, lying in 3,030 calls and 7,855 puts, but it was Hanson that stole the thunder. The market made a charge for call options at exercise prices above the underlying share price, as it wondered how the company would apply its increased borrowing facility. It dealt in 6,229 call contracts and and 577 puts, including over 2,000 contracts in the December 160 calls alone.

Life assurances posted good gains – the sector offers "good value," after the 10 per cent underperformance in past few months according to BZW. Legal & General, one of BZW's favourites in the sector, added 2 at 283p, while Abbey Life, "where fundamentals have re-asserted themselves," according to dealers, added 4 at 285p.

Composite insurers gave a positive response to recent market views that the heavy selling in the sector has been overdone. General Accident were particularly in demand and moved up 7 to 821p, while Royal edged up to 368p.

Allied Lyons reported interim results at the top end of the range of forecasts, but the response was disappointing and the shares drifted down to 465p. dealers said investors were distracted by talk that Mr Alan Bond had cast his attentions elsewhere. Highland Distilleries rose 5 to 134p, lifted on brand name factors following Monday's sale of Lonrho's European drinks business to Brent Walker.

Redland was one of the best performers in a building marketthat staged a useful rally after the recent heavy selling; a number of "buy" recommendations, notably from BZW, after the recent presentation to the Society of Investment Analysts, prompted good buying which lifted the shares 5 to 413p.

BPB, scheduled to report interim figures on Thursday, picked up 4 to 241p; Hoare Govett is forecasting pre-tax profits of £115m, Morgan Grenfell £112.5m and SBCI Savory Milln £114m.

The electronics sector included a handful of features. Plessey shares tumbled 5 to 209½p after a report warning of possible opposition to the GEC/Siemens joint bid for Plessey on competition grounds; GEC/Siemens have offered 225p a share in cash for Plessey. GEC were a shade harder at 172½p on turnover of 1.9m; turnover in Plessey was 3.5m.

Persistent demand from one securities house lifted Cable & Wireless 5 to 362p with 3.5m shares traded. Ferranti shares wavered and ended the day slightly easier at 97½p after revived speculation that the interim results on Thursday could be accompanied by a rights issue; turnover was a lively 4.7m shares, but well below the 20m-plus figures that followed the bid for Plessey a few weeks ago.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	572	143	+½	Commercial Union	746	321½	+½	Ladbroke	2,585	436	-3	[illegible]	892	439	-1
Abbey Life	1,000	285	+4	Cons. Gold Fields	146	£11¾		Land Securities	1,600	505	+6	Royal Bk of Scotland	2,700	[illegible]	
Allied-Lyons	1,200	465	-1	Cookson	670	253	+1	Laporte	256	501		Royal Insurance	895	368	+2
Amstrad	4,600	152	-3	Courtaulds	2,300	260½	-½	Legal & General	436	283½	+1½	RTZ	745	366	+1
Argyll Group	1,100	160½	-½	Dalgety	325	304	+1	Lloyds Bank	714	327	+5½	Saatchi & Saatchi	75	337	
Ass. Brit. Foods	227	311		[illegible]	2,850	144		LASMO	936	466	+1	Sainsbury	2,600	203	-½
BAA	229	257	+1	Eng. China Clays	417	454	+2	Lonrho	8,658	382	+3	Scot & Newcastle	858	294	
[illegible]															
British Airways	1,600	155½	+1½	GKN	443	313	+1	Plessey	[illegible]			[illegible]	488	[illegible]	
Brit. Aerospace	3,180	437½	+9½	Glaxo	534	329		Prudential	1,600	147½	+½	Trafalgar House	1,950	312	+3
Brit & Comm.	1,300	229		Hammerson 'A'	393	884	+12	Racal	3,800	260		Trusthouse Forte	1,600	260½	+1½
British Gas	3,600	157	+½	Hanson	15,500	155½	+3¼	Rank Org.	583	700	-8	[illegible]	571	251	+1
British Land	605	359	+1	Harrisons & Cros.	95	666	+5	RMC	442	494	-6	Unilever	1,300	442	
BP	3,500	245	-1	Hawker Siddeley	541	526	-1	RHM	522	352	-1	Utd Biscuits	455	294	-1
British Telecom	2,800	253	+½	Hillsdown Hldgs	3,200	259		Reckitt & Colman	198	910	-4	Utd Newspapers	399	394	+8
Burmah Oil	93	499	+1	IMI	132	194	-1½	Redland	283	412½	+4½	Wellcome	263	435	-3
Burton	5,300	181	+2	ICI	1,200	974	+9	Reed International	521	380		Whitbread 'A'	565	256	
Cable & Wireless	2,776	362	+5	Inchcape	241	210	+4	Reuters 'B'	178	458	+3	Williams Hldgs	2,100	238	-2½
Cadbury Schweppes	3,300	339		Jaguar	823	265	-1	RTZ	964	437	-3	Woolworth	674	242½	+3½
Coats Viyella	3,200	162	+1½					Rolls Royce	8,800	129½	-4½	[illegible] Hldgs	234	254	+1

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (36).
BREWERS (2) Highland Dists., Macallan-Glenlivet, ELECTRICALS (1) Newmark (Louis), ENGINEERING (1) Booth Inds., FOODS (1) Low (Wm.), INDUSTRIALS (16) BSS Grp., Eleco, Eurotunnel Wrrnts., Do. Units Hanson, Hille Ergonom, Nu-Swift, Rattleam, Shanks & McEwan, Swallowfield, INSURANCE (1) Sedre Ins. Invs., LEISURE (1) Fairline Boats, PAPERS (1) Cundell Grp., PROPERTY (4) Frogmore Ests., Gt. Portman, Hammerson "A", Randsworth Tst., SOUTH AFRICANS (1) Abercom, TRUSTS (1) Johnson Fry.
NEW LOWS (55).
BRITISH FUNDS (3) Funding 5¾pc '87-91, Treas. 13¼pc 1993, Treas. 14½pc 1994, LOANS (2) Inv. in Ind. 7¼pc "A" 1991-94, Do. 9pc "A" 1991-94, AMERICANS (4) Allegheny & W., Data General, Home Grp., Houston Inds., CANADIANS (3) Breakwater, Denbys Res., Echo Bay Mines, BANKS (1) Lon. Scot. Bk., BUILDINGS (2) Lawrence (W.) 8½pc Pf., McCarthy & Stone, CHEMICALS (2) Coates Bros., Hercules Inc., STORES (8) Alexon, Field (Mrs) Inc., Glamar Grp., Next, Specialeyes, Tie Rack, ELECTRICALS (4) Alphameric, Neotronics Tech., VG Instr., Wstn. Select, FOODS (4) Brewmaker, Gateway Corp., Global Grp., Hughes Food, INDUSTRIALS (7) Bluebird Toys, Centreway Ind., China Light, Eagle Trust, Hartons 7pc Pf., Kleen-E-Ze Hldgs., Williams Hldgs. 5½pc Cv Pf., LEISURE (1) Williams (Rex), PAPERS (4) Acsis Grp., Hunterprint, Ketson, Osborne & Little, PROPERTY (2) Regalian, Zurich Grp., TEXTILES (2) Drummond Grp., Texf'rd Jary., TRUSTS (2) G. Rintoul Stepped Cap Pf., Siem Fund, OVERSEAS TRADERS (1) Utd Plants Africa, MINES (4) Brunswick, Jason Mining, Julia Mines NL, Mawson Pacific, THIRD MARKET (1) Chelsea Artisans.

APPOINTMENTS

Chief financial officer at British Airways

■ Mr Gordon Dunlop, the chief financial officer of BRITISH AIRWAYS, is retiring from his executive post on December 31 and from the board on March 31.

He will be replaced by Mr Derek Stevens, finance director of the TSB Group, who will join British Airways on February 1 in an executive position and as a member of the board. Mr Stevens joined the TSB Group in 1981 as general manager finance and has been finance director since 1985. Previously he was with UDT Industries from 1971-1981, being finance director from 1976-1981. In 1968-1970 he was a consultant with PA Management Consultants following three years with Shell International.

Mr Derek Stevens, chief financial officer designate, BRITISH AIRWAYS.

■ Mr David Anderson has been appointed managing director of VELOS, part of the Nobo Group. He was sales director of Esselte-Dymo.

■ Mr David F. Bradstock, chairman, has retired from the board of BRADSTOCK GROUP, and been appointed president. Mr O. David Plunkett succeeds him as chairman.

■ FENNOSCANDIA BANK, London, jointly owned by Skopbank, Finland, and Swedbank (Sparbankernas Bank), Sweden, has appointed Mr John Greig as head of corporate finance, a new post.

■ Mr Jon Watts has been appointed marketing and business development director of SINTROM. Before joining Sintrom a year ago he was managing director of Datapoint Corporation (NZ). Mr David Heaton, finance director, has resigned, and Mr Ian McQuattie becomes acting finance director.

■ Mr Julian Sturdy-Morton has been appointed a director of CL-ALEXANDERS LAING & CRUICKSHANK EURO-EQUITIES. He was with Morgan Grenfell.

■ Mr K.C. Davies has been elected to the board of THE LONDON METAL EXCHANGE. He is a senior dealer with Entores (Metal Brokers).

■ Mr Rupert Foxwell has been appointed an executive director of UBS-PHILLIPS & DREW from January 1. He joins the corporate finance division from Prudential-Bache where he was managing director of the European investment banking division.

■ Mr Frank Thompson has been appointed managing director of the industrial doors division of HARRISON INDUSTRIES. He has been a main board director since 1986. Mr D.C. Bailey has left the main board to restructure the group's door manufacturing plant in South Wales.

■ CARADON has appointed Mr Roger Regan as managing director of Caradon Everest. He joins from A.G. Stanley where he was group managing director.

■ SEMA GROUP, formed by the merger of CAP Group, UK, and Sema Metra, France, has appointed Mr Graeme Ferrero as director of defence marketing, a new post. He was managing director of CAP Scientific, where he is succeeded by Mr Godfrey Thomas who was a director of CAP Industry. Mr Frank Jones, who was commercial director, has been appointed managing director of Data Networks.

Hambros finance director designate

■ HAMBROS has appointed Mr Charles Tilley and Mr John Heywood as directors. Mr Tilley, at present a partner at Peat Marwick McLintock, becomes finance director from January 1. He will also become a director of Hambros Bank, Hambro Countrywide and other group companies. Mr Heywood is a vice-chairman of Hambros Bank and executive director in charge of the treasury and capital markets division in London. He is also a director of Hambros Australia.

■ BRITISH ALCAN has appointed Mr Roger Hadaway as managing director of British Alcan Consumer Products, a group division.

■ Sir Jeremy Morse, chairman of Lloyds Bank, has been appointed president of the BANKING FEDERATION OF THE EUROPEAN COMMUNITY. The Federation represents the views of the European banking community, and monitors developments affecting its interests.

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AUTHORISED UNIT TRUSTS

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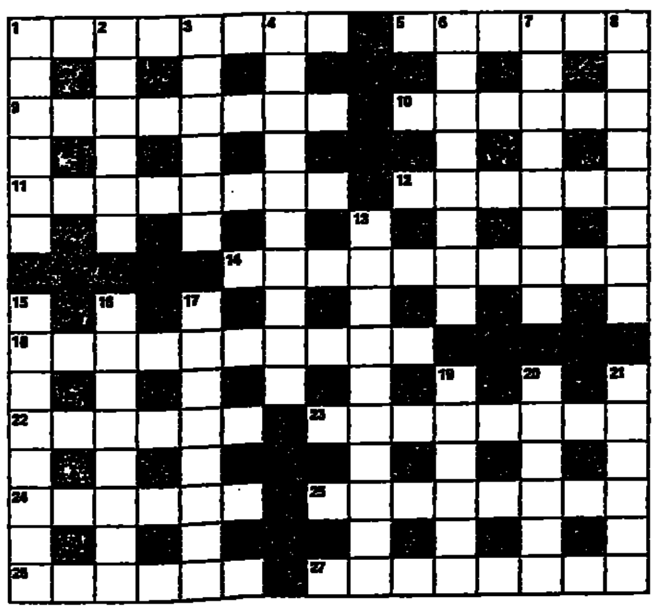
CROSSWORD

No. 6,799 Set by VIXEN



ACROSS

1 Put off the underworld – used a convert (8)
5 Turning a vehicle into sleeping accommodation, given support (6)
9 Clothing one swimmer placed beside the river (8)
10 Criticise a scholar's summer headgear (6)
11 A lot of people after help back verbal onslaught (8)
12 Wrap a quarter taken surreptitiously (6)
14 Coppers call round happening to be stopping (10)
18 Lasting present – it's well made (10)
22 Many more aged? That's not so hot! (6)
23 Transport a gate (8)
24 Manual worker in a better state of health (6)
25 Dicky, Tom and Annie put forward names (8)
26 Pet taking company's place (6)
27 Applies force, bearing on locks (8)

DOWN

1 Resolve to write a letter about certain policemen (6)
2 End up in the wrong – so like the ape! (6)
3 A French user may be somewhat doubtful (6)
4 Think to enslave? (10)
6 Organist possibly acting as cook (8)
7 A clergyman's tea, quite simple (8)
8 Many fall – time for getting off the water (8)
13 Becoming uniform is demanded by this social occasion (7,3)
15 Peculiar remedy (8)
16 Bishops can be real pets! (8)
17 Cry for mercy when the mud's about dry (8)
19 Indicate approval of quiet lift (6)
20 Opens up and rubs an organisation the wrong way (6)
21 Interval for a service (Church of England) on a ship (6)

Solution to Puzzle No.6,798

M	A	I	L	C	O	A	C	H	■	G	L	O	O	M
A	■	G	■	A	■	P	■	A	■	Y	■	L	■	A
G	R	U	N	T	■	A	C	C	O	R	D	I	O	N
O	■	A	■	N	■	C	■	K	■	E	■	V	■	Y
G	E	N	I	A	L	H	O	S	T	■	P	E	T	S
■	■	O	■	P	■	E	■	A	■	O	■	■	■	I
O	E	D	I	P	U	S	■	W	O	R	S	T	E	D
N	■	O	■	I	■	■	■	■	■	N	■	E	■	E
P	E	N	A	N	C	E	■	D	I	A	L	L	E	D
U	■	■	■	G	■	C	■	E	■	M	■	E	■	■
R	A	R	E	■	G	O	A	L	K	E	E	P	E	R
P	■	I	■	F	■	N	■	A	■	N	■	H	■	U
O	F	F	E	R	T	O	R	Y	■	T	H	O	R	N
S	■	L	■	E	■	M	■	E	■	A	■	N	■	E
E	J	E	C	T	■	Y	O	D	E	L	L	E	R	S

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✝ - 0001 to 1100 hours; ✝ - 1101 to 1400 hours; ✝ - 1401 to 1700 hours; ✝ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

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FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks. 0732 450161

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	5	321.7	326.3xd	345.3		3.23
Equity Acc	5	418.8	424.7	449.4	+0.7	3.23
Fixed Int Dist	5	112.6	114.2xd	118.3	-0.5	8.58
Fixed Int Acc	5	207.3	210.3	217.9	-1.2	8.58

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants SP10 1RE 0264 63434

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	91.19	91.95	97.82	+0.06	2.17
Do Accum	6	97.87	98.69	104.99	+0.07	2.17
TSB Brit. Growth	6	53.14	53.14	56.53	-0.58	3.40
Do Accum	6	55.60	55.60	59.15	-0.53	3.40
TSB European	6	51.01	51.63	54.93	-0.33	1.14
Do Accum	6	52.40	53.04	56.43	-0.34	1.14
TSB Extra Income	6	144.17	147.46	156.87	-0.75	5.91
Do Accum	6	186.09	190.34	202.49	-0.97	5.91
TSB Smaller Cos	6	51.94	54.01	57.46	+0.75	1.45
Do Accum	6	52.86	54.98	58.49	+0.77	1.45
TSB General	6	173.52	175.94	187.17	-0.46	3.47
Do Accum	6	300.47	304.55	323.99	-0.81	3.47
TSB Premier Income	5	46.76	47.20xd	49.17	-0.21	9.00
Do Accum	5	71.78	72.47xd	75.49	-0.32	9.00
TSB Income	6	258.17	262.27xd	279.01	-0.92	5.10
Do Accum	6	439.17	446.16xd	474.64	-2.12	5.10
TSB Pacific	6	207.15	210.25	223.67	+1.33	0.32
Do Accum	6	215.38	218.60	232.56	+1.39	0.32
TSB International	6	314.76	318.61xd	338.95	+0.84	0.88
Do Accum	6	397.74	402.60xd	428.30	+1.06	0.88
TSB Nat Resources	6	57.47	58.72xd	62.47	-0.80	1.41
Do Accum	6	60.92	62.25xd	66.22	-0.80	1.41
TSB Slcd Opps	6	77.16	78.95	83.99	+0.38	2.72
Do Accum	6	88.10	90.15	95.90	+0.39	2.72

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	58.14	58.14	62.17	-0.19	3.36
Australia	5	7.015	7.015	7.515	-0.28	0.10
Commodity	5	72.78	72.78xd	78.47	-0.40	0.63
Convertible	5	140.9	140.9xd	151.0	-0.2	5.03
Equity	5	150.0	150.0	161.6	-0.2	3.23
Euro Spec Sits	5	80.79	80.79	86.74	-0.13	1.56
Financial	5	29.87	29.87	32.23	+0.14	2.11
Global Opps Inc	5	53.76	53.76xd	57.81	-0.03	0.65
Global Opps Acc	5	54.16	54.16	58.24	-0.05	0.65
Gold Income	5	44.18	44.18xd	47.48	-0.19	0.00
Gold Acc	5	81.37	81.37	87.45	-0.35	0.00
Income	5	102.8	103.2	111.1	+0.5	4.57
Japan	5	125.9	125.9	135.4	+1.3	0.00
Pacific Inc	5	113.2	113.2	122.0	+0.9	0.06
Pacific Acc	5	140.4	140.4	151.3	+1.1	0.06
Preference Share	5	24.35	24.42xd	26.45	+0.25	7.62
Special Sits	5	90.27	90.27	97.63	+0.10	1.60
Technology	5	32.21	32.21	34.90	+0.15	2.17
UK Capital	5	87.20	87.20	94.03	-0.06	1.66
World Income	5	50.48	50.48xd	54.14	+0.20	3.05
Worldwide Capital	5	147.5	147.5	159.0	+0.5	1.96
Equity Exempt	5	114.5	114.5xd	123.7	-3.6	2.24
Equity Exempt Acc	5	219.6	219.6	237.3	-6.9	2.24

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031-228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	91.53	91.53	97.87	-0.11	1.50
Global Growth Inc	6	91.53	91.53	97.87	-0.11	1.50
Global Balanced Acc	6	92.38	92.38	98.58	-0.07	4.00
Global Balanced Inc	6	92.38	92.38	98.58	-0.07	4.00
Intl Pen & Ch'ties	3	87.46	87.46	91.30		0.00

Thornton Unit Managers Ltd (1000)F

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 31	211.95			5.79
Equity Oct 31	714.70			3.98
Fxd Int Sec Oct 31	100.70			9.98

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	154.4	90.01	+0.1	0.80

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 30	36.0	37.7		2.53
Euro Expt Nov 30	40.8	42.8	-0.4	2.71
Fixed Int Ex Nov 30	49.0	51.5	-0.5	9.93
Japan Expt Nov 30	55.7	58.4xd	-1.2	0.43
Managed Ex Nov 24	38.5	40.0xd		4.75
SE Asia Expt Nov 30	33.7	35.3		2.12
Sm Cos Expt Nov 30	42.4	44.5xd	-1.2	2.85
UK Eqty Ex Nov 30	34.6	36.3	-0.9	4.6

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3		-

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co's Nov 1	815.0	861.0		3.85
Do Accum	842.0	889.0		3.85
PDFM Int Expt Nov 24	120.7	122.9		2.60

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	93.66	94.73xd	-	2.92

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Nov 11		143.4		-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser 1	261.1	274.9	+1.4	-
Equity Ser. 1	111.1	117.0	-0.2	-
Prop. Acc Ser 2	390.0	410.6	+2.1	-
Equity Ser 2	126.1	132.8	-0.2	-
Selective Acc	294.0	309.5	+0.6	-
Prop. Ser. 4	312.7	329.2	+4.7	-
Equity Ser. 4	131.1	138.1	-0.2	-
Fixed Int. Ser. 4	215.7	227.2	-0.1	-
Indexed Inv. Ser. 4	128.9	135.3	+0.5	-
American Ser 4	240.5	253.2	-0.1	-
High Inc. Ser. 4	380.7	400.8	-1.3	-
Japan Ser 4	277.7	292.4	+2.4	-
Man. Ser. 4	374.8	394.6	+0.3	-
Money Ser. 4	221.5	233.2	+0.3	-
European Ser 4	95.7	100.8	-0.2	-
Pension Funds				
Property	541.0	569.5	+8.2	-
Equity	922.9	971.5	+0.2	-
Selective	313.0	329.5	+0.5	-
Managed	676.3	711.9	+0.2	-
Security	411.6	433.3	+0.8	-
Fixed Int	243.2	256.1	-0.4	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Barclays Life Assur. Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Intrl Pns Accum	143.3	150.9	+0.7	-
Gilt-edged Pns Accum	352.4	371.0	-1.4	-
Money Pns Accum	305.3	321.6	+0.6	-
Property Pns Accum	154.2	162.4	+0.2	-
"500" Pens Accum	95.9	101.0	-0.4	-
Income Pens Accum	95.2	100.3	-0.4	-
Smaller Cos Pens Accum	96.9	102.0	-0.6	-
Special Sits Pens Accum	90.3	95.1	-0.6	-
Financial Pens Accum	92.3	97.2	+0.1	-
Leisure Pens Accum	94.2	99.2	-0.3	-
America Pens Accum	87.6	92.3	-0.1	-
Australia Pens Accum	93.1	98.1	-1.1	-
European Gwth Pens Accum	97.3	102.5	-0.5	-
Japan & Gen Pns Accum	102.5	107.9	+2.5	-
Universal Tech Pns Accum	91.3	96.2	+1.1	-
Pens Deposit Accum				10.5

For prices of Invtml Units phone 01-534 5544.

Black Horse Life Ass. Co Ltd
Mountbatten Hse, Chatham, Kent. 0634 834000

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD 01-248 9861

FS Assurance Limited
190 West George St, Glasgow G2 2PA.

Family Assurance Society
19 New Rd, Brighton BN1 1WS

Framlington Life Insurance Ltd
3 London Wall Buildings, EC2M 5NQ

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	53.5	56.3	+0.1	-
Stock Market Mngd Fund	51.0	53.7	+0.3	-
Equity Fund	54.6	57.5	+0.2	-
International Fund	47.8	50.3	+0.2	-
European Fund	49.6	52.2	-0.1	-
North American Fund	41.4	43.5	-	-
Pacific Fund	60.7	63.9	+0.6	-
Property Fund	68.5	72.1	-	-
Fixed Interest Fund	51.9	54.7	+0.2	-
Index Linked Sec Fund	53.2	56.0	-	-
Deposit Fund	55.0	57.9	-	-
NUAM Retirement Plans				
Mixed Fund	57.1	60.1	-0.3	-
UK Ordinary Share Fd	63.5	66.8	-0.3	-
International Fund	49.5	52.1	-0.4	-
Property Fund	65.8	69.2	-	-
Fixed Interest Fund	56.5	59.4	-0.2	-
Index Linked Sec Fund	54.6	57.5	-0.1	-
Deposit Fund	59.3	62.4	+0.1	-
NUAM (MIF)				
Managed Fund	747.7	787.1	+2.4	-
Equity Fund	1478.6	1556.5	+4.2	-
Property Fund	431.6	454.4	+0.1	-
Fixed Interest Fund	387.2	407.6	+0.9	-
Deposit Fund	225.0	236.9	+0.1	-
International Fund	125.7	132.4	+0.8	-
Index Linked Sec Fund	53.9	56.8	-	-

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	108.57	114.29	+0.04	-
Managed Fd	115.39	121.46	-0.55	-
UK Equity Fd	117.44	123.62	-0.62	-
International Fd	117.52	123.70	-0.89	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 11½pc 1989	99	.....	11.55	12.71
101	98	Treas 9½pc Cnv 1989	98	.....	9.61	12.49
97	95	Treas 3pc 1989	96		3.10	10.50
102	99	Treas 10½pc 1989	99		10.60	12.38
102	98	Exch 10pc 1989	98		10.16	12.45
103	98	Exch 11pc 1989	98		11.11	12.26
97	94	Treas 5pc 1986-89	95		5.25	10.79
104	98	Exch 10¼pcCv '89	99		10.38	11.69
107	101	Treas 13pc 1990‡‡	101		12.84	11.66
104	99	Exch 11pc 1990‡‡	99		11.08	11.61
107	100	Exch. 12¼pc 1990	100		12.38	11.68
93	90	Treas. 3pc 1990	90		3.31	10.09
99	95	Treas 8¼pc 1987-90‡‡	95		8.64	11.58
102	95	Treas. 8pc Cv 1990 ‡‡	96		8.25	10.05
103	97	Treas. 10pcCv 1990	97		10.25	11.45
91	87	Exch 2½pc 1990	87		2.85	9.51
107	100	Treas 11¾pc 1991	100		11.69	11.45
95	89	Funding 5¾pc '87-91‡‡	89		6.39	10.71
90	86	Treas. 3pc 1991	86		3.48	9.45
105	98	Treas 10pc Cv '91 ‡‡	98		10.14	10.60
107	99	Exch. 11pc 1991	99		11.05	11.17
98	91	Treas. 8pc 1991	92		8.70	11.19
113	104	Treas 12¾pc 1992‡‡	104		12.20	11.00
104	97	Treas 10pc 1992	97		10.29	11.03
98	91	Treas. 8pc 1992 ‡‡	91		8.72	11.01
106	98	Treas 10½pc Cv 1992‡‡	98		10.66	11.02
86	82	Treas. 3pc 1992	82	.....	8.64	8.88
112	103	Exch. 12¼pc '92	103		11.83	11.03
117	107	Exch 13½pc 1992	107		12.55	11.00
97	91	Treas 8¼pc 1993	91		9.04	10.88
105	97	Treas 10pc 1993‡‡	97		10.26	10.72
115	105	Treas 12½pc 1993‡‡	105		11.80	10.81
93	85	Funding 6pc 1993‡‡	85		7.00	9.79
121	110	Treas 13¾pc 1993‡‡	110		12.39	10.84
		Five to Fifteen Years				
101	90	Treas. 8½pc 1994	91		9.34	10.77
94	90	Treas 8½pc 1994 A	90		9.34	10.81
125	114	Treas 14½pc 1994‡‡	114		12.63	10.74
120	110	Exch 13½pc 1994	110	.....	12.21	10.85
105	97	Treas. 10pc Ln. 1994‡‡	97	.....	10.26	10.60
116	106	Exch. 12½pc 1994	106	.....	11.70	10.84
101	93	Treas 9pc 1994‡‡	93		9.64	10.53
114	105	Treas 12pc 1995	105	.....	11.39	10.77
83	78	Exch 3pc Gas 90-95	80	.....	3.75	6.91
106	98	Exch. 10¼pc 1995	98	.....	10.43	10.61
120	110	Treas 12¾pc 1995‡‡	110	.....	11.54	10.58
126	116	Treas. 14pc '96	116	.....	12.06	10.73
101	93	Treas. 9pc 1992-96‡‡	93		9.60	10.24
133	123	Treas 15¼pc 1996‡‡	123	.....	12.38	10.64
123	113	Exch 13¼pc 1996‡‡	113	.....	11.66	10.55
105	97	Conversion 10pc 1996	97	.....	10.24	10.44
124	114	Treas 13¼pc 1997‡‡	114	.....	11.56	10.50
108	100	Exch 10½pc 1997	100		10.46	10.42
98	91	Treas 8¾pc 1997‡‡	91		9.56	10.23
134	124	Exch 15pc 1997	124	.....	12.02	10.62
104	96	Exch. 9¾pc 1998	96		10.10	10.33
87	81	Treas 6¾pc 1995-98‡‡	81	.....	8.28	9.79
140	130	Treas. 15½pc '98‡‡	130	.....	11.88	10.46
118	109	Exch. 12pc 1998	110		10.91	10.36
103	95	Treas 9½pc 1999‡‡	96	.....	9.83	10.02
120	111	Exch. 12¼pc 1999	112		10.94	10.32
109	101	Treas. 10½pc 1999	102	.....	10.30	10.19
107	99	Conversion 10¼pc 1999	100	.....	10.20	10.17
100	86	Treas. 8½pc Ln 2000‡‡	90		9.42	9.96
99	92	Conversion 9pc 2000‡‡	93	.....	9.62	9.96
126	117	Treas. 13pc 2000	117		11.02	10.30
106	98	Treas 10pc 2001	100		10.01	9.99
129	120	Treas. 14pc '98-01	120		11.63	10.54
104	97	Conversion 9¾pc 2001	98		9.91	9.96
118	109	Exch. 12pc '99-02	109	.....	10.91	10.37
107	99	Conversion 10pc 2002	100		9.91	9.88
105	97	Treas 9¾pc 2002	99		9.83	9.85
99	92	Exch. 9pc 2002	94		9.57	9.79
131	122	Treas. 13¾pc 2000-03	122		11.21	10.34
108	100	Treas 10pc 2003	101		9.80	9.73
		Over Fifteen Years				
117	108	Treas. 11½pc 2001-04	109	.....	10.50	10.11
108	100	Treas. 10pc 2004	102		9.73	9.66
61	54	Funding 3½pc '99-04	58		6.00	8.32
104	97	Conversion 9½pc 2004	99		9.56	9.57
104	97	Conversion 9½pc 2005	99		9.53	9.53
113	105	Exch. 10½pc 2005	108		9.71	9.52
128	118	Treas. 12½pc 2003-05	120		10.34	9.81
92	85	Treas. 8pc 2002-06‡‡	87		9.10	9.40
106	99	Conversion 9¾pc 2006	102		9.49	9.43
121	112	Treas. 11¾pc 2003-07	114		10.25	9.80
97	89	Treas 8½pc 2007 ‡‡	93		9.11	9.26
137	127	Treas. 13½pc '04-08	129		10.40	9.72
101	94	Treas. 9pc 2008 ‡‡	98		9.17	9.19
92	85	Treas 8pc 2009	89		8.94	9.14
101	93	Conv 9pc Ln 2011 ‡‡	99		9.05	9.06
68	62	Treas. 5½pc 2008-12‡‡	67		8.18	8.81
89	82	Treas. 7¾pc 2012-15‡‡	87		8.81	8.94
131	121	Exch. 12pc '13-'17	129		9.30	9.05

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or –	Yield Gross
Oppenheimer Managed Assets Co				
European Managed	SF52.95	56.28	–0.34	–
Global Income	$9.75	10.36	+0.01	6.15
International Managed	$7.36	7.82	–0.03	–
Pacific Managed	$8.74	9.29	–0.01	–
Worldwide Recovery	$9.47	10.06	–0.07	–
Orbitex Bahamas Ltd				
Orbitex Growth Fund	$5.5826	6.0529	—	–
Orbitex Nat Res Fd	C$6.7420	7.4712	—	–

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS — Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
468	340	AB Electronic	423	.....	15.0	2.9	4.7	9.8
111	70	ABB Kent	88	+1	3.0	1.1	4.5	(27.3)
54	31	AMS Inds 5p	41	.....	1.5	1.5	4.9	17.8
175	144	Acal 5p	172	.....	L3.5	3.5	2.7	13.7
37	22	Acorn Cmptr 10p	25	.....	–	–	–	–
173	87	Admiral Computing 5p	133	+2	1.46	5.1	1.5	17.9
145	88	Alba 10p	123	.....	4.35	♦	4.7	♦
*321	173	Alphameric 5p	173	–5	3.5	4.2	2.7	11.6
234½	113	Amstrad 5p	152	–3	1.4	13.3	1.2	8.0
362	240	Appl'd H'graphics 5p	287	+2	–	–	–	–
126	73	Apricot Comp 10p	110	+1	†2.0	4.3	2.4	12.8
89	40	Arcolectric 'A' NV 5p	66	.....	†0.88	28.1	1.8	2.1
170	94	Arlen 20p	97	+3	3.0	4.0	4.1	7.8
£36¼	£26¼	ASEA AB 'A' Sk50	£33¼	.....	Q16%	2.3	2.2	19.8
£36	£26½	Do 'B' Sk50	£33¼	–¼	Q16%	2.3	2.2	19.4
154	77	Audio Fidelity 10p	127	.....	1.5	8.9	1.6	8.2
*283	215½	Auto'ted Sec. 10p	264	+1	†2.16	7.8	1.1	14.8
409	302	BICC 50p	384	.....	†13.0	2.0	4.5	13.2
104	62	BSR Intl 10p	62	.....	†03.0	2.3	4.8	(10.2)
66	35	Beacon Group 10p	43	.....	m4.0	–	13.7	–
*45	29	Beau't & F'tain 5p	29½	+½	g1.0	♦	4.5	♦
£14¼	937	Black & Decker $0.50	£11½	+¼	Q40c	–	1.9	–
217	139	Blick 5p	212	.....	†4.2	3.1	2.6	15.4
122	85	Borland Intl Inc.	88	+2	†Q20c	2.0	‡	37.5
192	145	Bowthorpe 10p	177	+4	†3.28	3.7	2.5	13.6
*210	157	Britannia Sec. 10p	164m	.....	g2.25	4.9	1.8	13.4
260	193	British Telecom	253	+½	†9.5	2.6	5.1	10.0
27	13	Bulgin 'A' 5p	21	.....	0.2	10.8	1.3	9.7
151	106	CML Microsystems 5p	134	+1	1.4	6.4	1.4	15.0
94	47	CPU Computers 5p	48	.....	–	–	–	12.3
409	312	Cable & Wire's 50p	362	+5	†6.65	3.0	2.5	15.0
262	193	Cambridge Elec.	237	.....	†8.5	2.4	4.8	11.7
67	32	Cambridge Instrument 5p	53	.....	†0.77	2.9	1.9	19.7
67	47	Chloride Grp	58	–1	†2.0	2.4	4.6	(10.2)
6	3	Chunas Consortes	4	.....	Q3c	4.5	5.7	3.9
12	7	Clifer 2½p	10	.....	–	–	–	–
170	113	Circaprint 10p	118	–2	2.4	♦	2.8	♦

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

1988 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
163	141	Hi-Tec Sports	142	+1	L3.6	3.4	3.4	10.3
32	14	Int'l Media Cms. 5p	17½					
79	49	Juliana's Hldgs 2p	74		t2.85	1.4	5.1	16.2
46½	32	Kunick 10p	40		t1.0	2.4	3.3	15.9
195	122	LWT 5p	160	-1	5.7	2.6	4.7	10.3
448	183	LandLeisure 10p	372	+4	8.0	4.6	2.9	9.9
•118	68	Leisure Inv 10p	89	+1	1.75	1.4	2.7	(27.1)
•112	64	Leisuretime Int 10p	83					
440	235	Marina Dev. 50p	355	-3	1.0	3.5	0.4	70.1
218	157	Mecca Leisure 10p	168		K4.5	2.3	3.6	16.7
127	79	Medminster 10p	118		3.67	2.6	4.1	12.5
182	126	Midsummer Leis 10p	174		t1.6	3.1	1.2	29.1
460	200	Miss World 10p	433		8.0	2.6	2.5	21.1
62	32	MoRoore Videos 50p	43					24.8
147	120	Noble Raredon 5p	145	+2	h1.33	1.5	1.2	71.7
23	17	Omnicorp Inv NZ$0.5	20		Q2c	3.5	3.5	4.7
169	87	Orient Ex Hlds $0.125	115	+6				
•89	61	Owners Abroad 3p	84	-2	g2.1	1.9	3.4	25.2
180	130	Pavilion Leisure 10p	138					
211	55	P'dilly Radio NV 5p	165	-1	3.25	♦	2.7	♦
264	175	Pickwick	229		t2.6	2.9	1.5	30.0
•262	147	Pleasurama 5p	241		♦16.0	2.4	3.3	14.2
•233	135	Do. 7pcCvCmRedPf	224		7%		4.2	
150	114	Prestwich	133	-1	1.25	7.5	1.3	14.2
142	78	Prism Leisure 10p	142	+1	4.46	2.5	4.2	12.0
•254	122	Quadrant Group 10p	230	+5	F3.6	3.4	2.1	19.6
367	97	Radio City 'A' NV	341	+16	6.0	♦		♦
276	89	Radio Clyde	243		5.75	♦	3.2	♦
610	494½	Really Useful Grp 5p	515		15.0	2.3	3.9	15.1
299	169	Saga Group 20p	234	+5	t4.6	1.2	2.6	40.2
110	78	Scott. Ice Rink 2½p	84	-3				
474	345	Scott. TV 10p	365	+1	t17.0	3.0		7.2
15	11	SelecTV 1p	12	+1				
63	26	Spectrum 5p	32					24.8
292	197	Stanley Leisure	261	-1	3.6	3.8	1.8	18.9
680	85	Sunset & Vine 5p	126	+1	L2.4	2.9	2.5	15.7
74	62	TSW 5p	67	-1	3.15	2.6	6.3	8.2

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on GNP revision

THE DOLLAR finished below its best level in currency markets yesterday, after a disappointing reaction to revised US GNP figures. Growth in the third quarter was measured at 2.6 p.c., which was not as high as some expectations. While the increase was up from a provisional 2.2 p.c., it was down from a second quarter rise of 3.0 p.c.

The apparent slowdown in the pace of economic growth reduced the prospect of higher US interest rates, and this prompted many investors to adjust positions and sell the dollar.

Early business took note of trading in Tokyo, where dollar support by the Bank of Japan - estimated at $100m - failed to hold the US unit above the Y122.0 level. Despite this, there was little early dollar selling in London, as investors were deterred from going short on the dollar just in case US interest rates were raised again.

However, the cautious tone was reversed after the GNP figures were released, and the dollar slid below its opening levels, in the absence of any intervention by the US Federal Reserve Board.

The US unit broke through support at DM1.7280 and Y121.50 to finish at DM1.7270, down from DM1.7330, and Y121.45 compared with Y122.20.

Elsewhere, it closed at SFr1.4450 from SFr1.4505 and FFr5.8975 compared with FFr5.9200. On Bank of England figures, the dollar's exchange rate index fell from 92.6 to 92.3.

The Bank of England bought dollars earlier in the day, principally in reaction to sterling's firmer trend, but this failed to provide more than a short term benefit for the dollar.

Sterling retained its firmer undertone, despite intervention by the Bank, which sold sterling for dollars at $1.8450. The pound was restrained only briefly, and moved up to close at $1.8525, compared with $1.8370 on Monday. Against the D-Mark, it rose to DM3.2000 from DM3.1825, and Y225.00 from Y224.50. Elsewhere, it finished at SFr2.6775 from SFr2.6650 and FFr10.9250 against FFr10.8750. On Bank of England figures, the pound's exchange rate index rose to 78.0 from 77.9 at the opening and 77.7 on Monday.

Dealers noted comments by Mr Nigel Lawson, UK Chancellor of the Exchequer, when he said that UK inflation would peak some time towards the middle of next year, and that interest rates are the appropriate instrument for controlling inflation.

The French franc reacted to worse than expected French trade data for October by losing ground initially against the D-Mark and most other EMS currencies. A trade deficit of FFr4bn contrasted sharply with expectations centred around a FFr3bn shortfall, and a FFr600m surplus in September. The D-Mark rose initially to FFr3.4175 from FFr3.4155 at the opening, although the threat of intervention by the Bank of France deterred any inclination to run short on francs. The D-Mark finished at FFr3.4150.

£ IN NEW YORK

Nov.29	Latest	Previous Close
£ Spot	1.8415-1.8425	1.8380-1.8390
1 month	0.50-0.49pm	0.61-0.59pm
3 months	1.43-1.41pm	1.59-1.56pm
12 months	4.80-4.70pm	5.50-5.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.29	Previous
8.30 am	77.9	77.9
9.00 am	78.0	77.9
10.00 am	78.0	77.8
11.00 am	78.0	77.9
Noon	77.9	77.9
1.00 pm	77.9	77.9
2.00 pm	77.9	77.9
3.00 pm	77.9	77.9
4.00 pm	78.0	77.7

CURRENCY RATES

Nov.29	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.742626	0.650278
U.S Dollar	6.50	1.36569	1.19781
Canadian $	8.75	1.62681	1.43019
Austrian Sch.	4	16.6573	14.6085
Belgian Franc	7¼	49.5916	43.5105
Danish Krone	7½	9.13851	8.00438
Deutsche Mark	3½	2.36701	2.07665
Neth.Guilder	4	2.66788	2.34184
French Franc	9½	8.08557	7.09404
Italian Lira	12½	1757.40	1537.51
Japanese Yen	2½	166.136	145.953
Norway Krone	8	8.89337	7.78278
Spanish Peseta	-	155.395	135.592
Swedish Krona	8½	8.25013	7.22220
Swiss Franc	3	1.98093	1.73505
Greek Drach.	20½	197.157	172.796
Irish Punt	-	0.884909	0.776589

*All SDR rates are for Nov.28

CURRENCY MOVEMENTS

Nov.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.0	-14.8
U.S Dollar	92.3	-14.5
Canadian Dollar	84.0	-2.4
Austrian Schilling	136.4	+10.1
Belgian Franc	99.0	-5.5
Danish Krone	90.2	+0.3
Deutsche Mark	146.3	+21.7
Swiss Franc	170.0	+21.1
Guilder	134.6	+14.0
French Franc	69.5	-15.1
Lira	45.9	-20.2
Yen	254.1	+87.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Nov.28.

OTHER CURRENCIES

Nov 29	£	$
Argentina	23.5370-23.6980	12.7400-12.8200
Australia	2.1075-2.1095	1.1395-1.1405
Brazil	1065.75-1071.70	576.90-579.75
Finland	7.5460-7.5685	4.0930-4.0950
Greece	263.05-268.50	143.30-145.70
Hong Kong	14.4210-14.4345	7.8050-7.8070
Iran	123.00*	66.75*
Korea(Sth)	1258.65-1268.75	685.30-690.90
Kuwait	0.51620-0.51670	0.28020-0.28030
Luxembourg	67.00-67.10	36.15-36.25
Malaysia	4.9245-4.9365	2.6670-2.6720
Mexico	4219.70-4233.05	2284.00-2290.00
N. Zealand	2.8215-2.8265	1.5255-1.5280
Saudi Ar.	6.9100-6.9160	3.7505-3.7515
Singapore	3.5825-3.5860	1.9390-1.9410
S. Af (Cm)	4.2865-4.2920	2.3140-2.3170
S. Af (Fn)	6.3885-6.5005	3.4485-3.5090
Taiwan	51.50-51.80	28.05-28.15
U.A.E.	6.7665-6.7720	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5105	+2.48	-0.78	±1.5344
Danish Krone	7.85212	8.00438	+1.94	+0.24	±1.6404
German D-Mark	2.05853	2.07665	+0.88	-0.82	±1.0981
French Franc	6.90403	7.09404	+2.75	+1.05	±1.3674
Dutch Guilder	2.31943	2.34184	+0.97	-0.73	±1.5012
Irish Punt	0.768411	0.776589	+1.06	-0.64	±1.6684
Italian Lira	1483.58	1537.51	+3.64	+2.61	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8355-1.8530	1.8520-1.8530	0.54-0.51cpm	3.40	1.60-1.55pm	3.40
Canada	2.1955-2.2105	2.2095-2.2105	0.54-0.31cpm	2.31	1.20-1.08pm	2.06
Netherlands	3.59¾-3.61¼	3.60¾-3.61¾	2½-2¼cpm	7.90	6¾-6½pm	7.21
Belgium	66.75-67.55	67.00-67.10	40-28cpm	6.09	100-85pm	5.52
Denmark	12.29-12.34¾	12.33¾-12.34¾	6¼-5orepm	5.41	14¾-14pm	4.68
Ireland	1.1905-1.1975	1.1935-1.1945	0.60-0.50ppm	5.53	1.42-1.32pm	4.59
W. Germany	3.18¾-3.20¾	3.19¾-3.20¾	2¼-2⅛pfpm	8.20	6¼-5⅞pm	7.50
Portugal	265.20-267.05	265.95-266.95	par-45cdis	-1.01	14pm-83dis	-0.56
Spain	208.15-209.50	208.30-208.60	48-31cpm	2.27	79-60pm	1.33
Italy	2356¾-2370	2366½-2367½	4-1lirepm	1.27	7-5pm	1.01
Norway	11.94¾-12.02	12.01-12.02	1⅝-⅛orepm	1.19	1⅜-⅞pm	0.49
France	10.87½-10.93	10.92-10.93	4¾-4⅜cpm	5.01	12¼-12pm	4.49
Sweden	11.08¾-11.32¼	11.13¾-11.14¾	1⅞-1½orepm	1.82	7¼-6½pm	2.47
Japan	223¾-225½	224½-225½	1⅞-1⅝ypm	9.00	4⅞-4½pm	8.11
Austria	22.43-22.51	22.48-22.51	16½-15¼gropm	8.54	42¼-38¾pm	7.21
Switzerland	2.66¾-2.68¾	2.67¾-2.68¾	1⅞-1¾cpm	8.12	5¾-5pm	7.56

Belgian rate is convertible francs. Financial franc 67.40-67.50. Six-month forward dollar 3.18-3.13cpm 12 months 5.60-5.50pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8355-1.8530	1.8520-1.8530	0.54-0.51cpm	3.40	1.60-1.55pm	3.40
Ireland†	1.5400-1.5475	1.5465-1.5475	0.30-0.35cdis	-2.52	0.50-0.60dis	-1.42
Canada	1.1915-1.1965	1.1940-1.1950	0.06-0.16cdis	-0.66	0.39-0.42dis	-0.81
Netherlands	1.9460-1.9595	1.9470-1.9480	0.75-0.72cpm	4.52	1.91-1.87pm	3.87
Belgium	36.15-36.40	36.15-36.25	9.00-7.00cpm	2.65	22.00-18.00pm	2.21
Denmark	6.66-6.70	6.66-6.66½	1.40-0.90orepm	2.07	2.50-2.00pm	1.35
W. Germany	1.7255-1.7380	1.7265-1.7275	0.72-0.69pfpm	4.89	1.83-1.79pm	4.19
Portugal	143¼-144	143¾-145½	30-50cdis	-3.33	120-170dis	-4.03
Spain	112.85-113.85	112.85-112.95	4-14cdis	-0.95	50-60dis	-1.95
Italy	1276¾-1287½	1277¾-1278¾	1.50-2.50liredis	-1.88	7.30-8.30dis	-2.44
Norway	6.47½-6.51¾	6.48¼-6.48¾	1.10-1.60oredis	-2.50	4.95-5.45dis	-3.21
France	5.89½-5.93½	5.89½-5.90	0.80-0.70cpm	1.52	1.60-1.40pm	1.02
Sweden	6.00¾-6.04½	6.01-6.01½	0.25-0.50oredis	-0.75	1.30-1.55dis	-0.95
Japan	121.35-122.15	121.40-121.50	0.60-0.57ypm	5.77	1.49-1.46pm	4.85
Austria	12.14¾-12.22½	12.15-12.15½	5.15-4.75gropm	4.88	12.50-11.00pm	3.86
Switzerland	1.4430-1.4540	1.4445-1.4455	0.59-0.56cpm	4.77	1.60-1.55pm	4.36

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.35-36.45.

EURO-CURRENCY INTEREST RATES

Nov.29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12⅞-12⅝	12⅞-12⅝	13-12⅞	13⅛-13⅛	13⅛-13⅛	13⅛-12⅞
US Dollar	8¼-8⅛	8½-8⅜	9⅜-9¼	9½-9⅜	9½-9⅜	9⅝-9½
Can. Dollar	9¾-9½	9¾-9½	10⅛-9⅞	10⅜-10⅛	11⅛-10⅞	11⅛-10⅞
D. Guilder	4⅞-4⅝	5¼-5⅛	5⅜-5⅛	5⅝-5⅜	5½-5⅜	5⅝-5⅜
Sw. Franc	5½-5¼	5⅛-4⅞	5¼-5⅛	5-4⅞	4⅞-4⅝	4⅞-4⅝
Deutschmark	5¼-4⅞	5-4⅞	5¼-5⅛	5⅜-5¼	5⅝-5⅜	5⅝-5⅜
Fr. Franc	7⅞-7⅝	7⅞-7⅝	8⅛-8¼	8⅜-8⅛	8⅝-8⅜	8⅝-8⅜
Italian Lire	12-10	11½-10½	11⅞-11⅛	12-11½	12-11⅝	12-11⅝
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling contracts steady

STERLING DENOMINATED contracts showed little change in dull trading on Liffe yesterday.

There were no new factors, with the market waiting for comments on the UK economy from the Chancellor of the Exchequer.

In the absence of other news the market tended to follow movements of sterling on the foreign exchanges.

March short sterling futures finished at 87.11, compared with 87.07 previously, closing in the middle of the day's narrow range. December long gilts finished unchanged at 94-22.

US Treasury bonds for December delivery rose to 87-26 from 87-15. Reaction was muted to news that US gross national product grew a revised 2.6 p.c. in the third quarter, compared with a preliminary figure of 2.2 p.c. Forecasts ranged up to about 2.8 p.c., but the figure was in line with most expectations, and there was some surprise at the fall of the dollar on the news.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

NAT.NED. C	Fl. 65	6	1.10	57	2.50	62	3.50	Fl. 61.50
NAT.NED. P	Fl. 60	14	1	-	-	-	-	Fl. 61.50
PHILIPS C	Fl. 35	305	0.30	243	0.70	25	1.20	Fl. 30.10
PHILIPS P	Fl. 30	121	1.20	79	2.40	-	-	Fl. 30.10
ROYAL DUTCH C	Fl. 220	315	7.30	66	13	1	14.50	Fl. 222.10
ROYAL DUTCH P	Fl. 230	320	9 B	40	11.50	4	15	Fl. 222.10
UNILEVER C	Fl. 120	382	1.50	123	4.50	14	5.90	Fl. 112.30
UNILEVER P	Fl. 120	363	8.20 B	5	10	-	-	Fl. 112.30
VAN OMMEREN C	Fl. 30	93	1.70	228	2.80	178	3	Fl. 30.70

TOTAL VOLUME IN CONTRACTS : 19,212

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	12
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	12	Comm. Bk N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	12½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	13	TSB	12
Bank Leumi (UK)	13	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡12.75
Bank Credit & Comm	12	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	12	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	12		
Brit Bk of Mid East	12	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	12		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13½		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	12	Mount Bnkg Corp.	13		
Citibank NA	12	Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Sarewise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%

MONEY MARKETS

Awaiting guidance

INTEREST RATES held steady on the London money market yesterday. Lack of economic data this week focused attention on statements of economic policy from Mr Nigel Lawson, the Chancellor.

Mr Lawson's comments in the House of Commons yesterday were made too late to have any impact. Today he answers questions from a Treasury and Civil Service Select Committee.

UK clearing bank base lending rate 13 per cent from November 25

Three-month sterling interbank was unchanged at 13⅛-13¼ p.c.

The Bank of England forecast a money market shortage of £300m, and provided total assistance of £261m. Before lunch the authorities bought £110m bills outright, by way of £1m bank bills in band 2 at 12⅞ p.c., and £109m bank bills in band 4 at 12¾ p.c.

In the afternoon another £16m bills were purchased, through £10m bank bills in band 1 at 12⅞ p.c., and £6m bank bills in band 3 at 12⅞ p.c. Late assistance of around £35m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £30m, with Exchequer transactions absorbing £205m, and bank balances below target £65m. These factors outweighed a fall in the note circulation adding £5m to liquidity.

In Paris interest rates were unchanged, despite news of a larger than expected French trade deficit in October. The trade situation is worrying, according to Mr Michel Rocard, the Prime Minister. A deficit for the whole year of FFr30bn is expected.

The trade news left the money market nervous about a possible rise in the Bank of France's official rates later this week.

A securities repurchase tender is likely to be held tomorrow, when the intervention rate may be raised from the present level of 7¾ p.c., with the five to ten-day repurchase rate also in danger of moving higher, according to dealers.

In Frankfurt call money remained firm at around 5 p.c. This week's unexpected securities repurchase agreement from the Bundesbank has not fully offset the high minimum reserve commitments of the banks.

Banks continued to bid for funds to meet these commitments, but the rise in rates is regarded as purely technical, and is not a signal of tighter monetary policy.

The Bundesbank council meets tomorrow, and is not expected to change the discount rate from 3½ p.c. or the Lombard rate from 5 p.c.

FT LONDON INTERBANK FIXING

[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm prices November 29

[illegible]

900 Cara	$15	15	15	− ¼
600 Carena	$32	32	32	+ ¼
100 Cascades	$5	5	5	
1252 Celanese	$28¼	27¼	27¼	−1
5650 Cen Capital	$11½	11½	11½	
15410 CenCap A	$8⅜	8⅜	8⅜	+ ⅛
9600 Hemlo	$11¼	11⅛	11⅛	− ⅛
9500 Hollingr	$13	12⅞	13	
62115 Horsham f	$7¼	6⅞	6⅞	− ¼
138 H BayMn e	$7⅛	7⅛	7⅛	− ⅛
14859 H Bay Co	$21⅛	20⅞	21	+ ⅛
82600 Imasco L	$27	26⅝	27	+ ⅜
2900 Pegasus	$15¼	15	15	− ⅛
700 PJewl A f	$17⅜	17	17⅜	+ ⅜
13358 Pioneer M	325	320	320	− 10
42148 Placer Dm	$16⅜	16⅛	16¼	− ⅛
4811 Poco Pet	$7⅝	7½	7½	+ ⅛
25917 Powr Cor f	$12⅝	12½	12½	− ⅛
320 Weston	$34½	34½	34½	
580780 Woodwd A	445	435	445	+ 15

f – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Nov 28	Nov 25	Nov 23	Nov 22	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2081.44	2074.68	2092.28	2077.70	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.01	89.05	89.26	89.19	91.25 (3/3)	86.12 (4/1)	–	–
Transport	920.84	907.72	919.48	897.92	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.61	182.37	182.67	182.67	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2095.48 (2085.53) Low 2062.23 (2062.77)

STANDARD AND POOR'S	Nov 28	Nov 25	Nov 23	Nov 22	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	268.64	267.23	269.00	267.21	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	309.85	307.64	309.45	307.55	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.34	24.28	24.57	24.43	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	151.25	150.63	151.41	150.55	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	291.67	291.19	290.09	288.22	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	366.09	366.38	367.76	365.36	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 25	Nov 18	Nov 11	year ago (approx.)
Dow Industrial Div. Yield	3.82	3.83	3.81	3.59
	Nov 16	Nov 9	Nov 2	year ago (approx.)
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY † Volume

Millions	Nov 28	Nov 25	Nov 23
New York	123.980	72.090	112.010
Amex	7.660	4.766	7.683
OTC	93.802	50.065	103.662

NEW YORK	Nov 28	Nov 25	Nov 23
Issues Traded	1,941	1,812	1,913
Rises	704	513	882
Falls	720	778	517
Unchanged	517	521	514
New Highs	26	24	31
New Lows	35	21	32

CANADA

TORONTO	Nov 28	Nov 25	Nov 24	Nov 23	1988 High	1988 Low
Metals & Minerals	2897.0	2904.0	2896.2	2848.3	3226.5 (5/7)	2238.7 (8/2)
Composite	3261.2	3275.0	3265.0	3246.1	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1617.98	1622.02	1619.85	1610.24	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
First Bk Systems	4,473,300	20	+ ⅛	Am T & T	2,060,000	29⅜	+ ½
Texas Utilities	3,739,300	28⅝	+ ⅛	Mobil	1,586,200	44½	+ ½
First Chicago (wd)	2,461,600	30¼	+ ⅛	IBM	1,492,200	118⅝	+ 2⅞
Northeast Utility	2,228,200	20⅜	+ ¼	Illinois Power	1,244,400	19⅝	----
RJR Nabisco	2,142,400	89	+ 1	Burlington Nthn	1,236,100	74¼	+ 1⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 29	Nov. 28	Nov. 25	Nov 24	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1472.0	1480.1	1506.0	1498.9	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	682.2	690.1	705.1	700.2	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.20	221.60	221.70	222.80	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5341.90	5370.70	5388.70	5393.00	5393.00 (24/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	249.63	248.61	247.78	248.30	249.63 (29/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	741.0	738.9	739.7	736.2	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	390.5	392.1	393.5	393.1	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	(u)	149.5	151.5	151.1	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	521.33	522.55	527.74	529.51	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1567.0	1570.7	1588.4	1594.6	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1262.55	1259.13	1275.41	1279.23	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2632.68	2625.08	2656.08	2666.02	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	574.22	573.91	580.21	580.85	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29318.30	28983.32	29406.65	29840.03	29430.12 (22/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2269.15	2245.50	2275.41	2273.51	2278.83 (22/11)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	271.2	270.3	272.9	273.3	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	238.9	238.5	241.0	240.7	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	419.42	420.77	419.49	418.96	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1003.37	1002.55	1010.98	1012.19	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1331.0	1330.0	1284.0	1276.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1846.0	1839.0	1838.0	1839.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	282.23	283.50	283.77	282.52	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3181.70	3157.70	3199.60	3204.40	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	577.7	580.2	576.1	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	482.9	488.8	481.1	491.1 (24/11)	401.0 (21/1)

**Saturday Nov. 26: Japan Nikkei 29363.59 and TSE 2273.70
♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 29 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy Ind	95.8m	1,080	+50	Japan Steel Works	41.3m	725	+40
Kawasaki Heavy Ind	84.3m	945	+31	Sumitomo Heavy Ind	29.9m	980	+70
Nippon Steel	84.3m	947	+12	Japan Line	27.1m	630	+29
Sumitomo Metal	54.8m	773	+20	Sanyo Electric	22.7m	790	+25
Mitsubishi Electric	43.9m	998	+54	Hitachi Zosen	20.8m	603	+33

3pm prices November 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
27⅞	14	AAR	.44	1.9	16	425	23⅛	23	23	+⅛
10⅛	8¼	ACM n				105	9¼	8⅞	8⅞	-⅛
12⅛	10¾	ACMIn	1.26a	11.		441	11⅛	11	11	-⅛
10⅛	10	ACM M n				5	10	10	10	
12½	10⅝	ACMSc	n1.26	12.		1266	10¾	10⅝	10⅝	
10⅛	8⅞	ACMSp	n1.01	11.		207	9	8⅞	9	+⅛
5⅛	2⅝	AMCA	.12e	3.7		7	3¼	3¼	3¼	+⅛
6⅛	3¾	AM Intl				761	4⅝	4½	4⅝	
23¼	18⅛	AM Int pf	2	9.4		18	21½	21¼	21¼	+¼
51⅞	26⅛	AMR			9	5693	u51⅞	50¾	51¼	+½
27	25	ANR pf	2.67	10.		1	25½	25½	25½	
24⅞	20½	ANR pf	2.12	9.1		1	23⅞	23⅞	23⅞	-⅛
9⅞	6½	ARX			10	36	5⅞	5⅝	5⅝	-⅛
68¼	35⅛	ASA	3a	7.7		309	39½	38⅝	38¾	-⅞
20⅛	11	AVX	.12e	.8	11	30	16	16	16	+⅛
52⅞	42¼	AbtLab	1.20	2.6	14	3471	46	44¾	45⅞	+⅝
21⅞	13½	AbitibI g	1			29	16⅛	16¼	16⅛	
13⅞	7½	AcmeC	.40	5.1		60	8	7⅞	7⅞	
8⅞	5⅞	AcmeE	.32b	5.4	26	6	6	5⅞	5⅞	-⅛
29½	12¼	Acuson			21	496	23¼	21⅞	22¾	+1¼
17	14⅞	AdaEx	1.82e	12.		185	14¾	d14½	14⅝	
16⅞	7⅛	AMD			14	4292	7½	7⅛	7½	+¼
43½	29	AMD pf	3	10.		605	29⅞	d29¼	29⅞	-⅛
8½	4⅛	Adobe				156	6⅛	6⅛	6⅛	
18½	16⅛	Adob pf	1.84	11.		26	17	17	17	
21¼	19¼	Adob pf	2.40	12.		19	20⅝	20⅝	20⅝	+⅛
9⅞	5⅞	Advest	.12	1.7	21	208	7⅛	6⅞	6⅞	

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38⅝	19⅛	XTRA	.72	2.1	14	25	33⅞	33⅝	33⅝	
39¼	19⅞	Yorkin			14	75	51⅞	51½	51⅝	+ ⅛
3⅞	2¼	Zapata				163	2½	2⅜	2⅜	
27⅛	12⅞	Zayre	.40	1.5	173	3518	26⅛	25⅝	25⅞	+ ⅛
30	15	ZenithE				909	18⅝	17⅞	18⅜	+ ½
10⅛	9½	Zenin n	.60e	6.0		113	10	9¾	10	+ ⅛
3¾	1	vjZenLb				176	2⅛	2	2⅛	
21⅝	13⅛	ZenNt	.80b	5.1	7	47	15⅞	15⅛	15⅜	− ⅛
17¼	11¾	Zero	.44	2.8	14	159	16	15⅞	16	+ ⅛
29	15½	Zurain	.68	2.5	16	447	27⅝	27¼	27½	− ⅛
11⅛	8⅛	Zweig	1.04	10.		316	10⅛	10	10⅛	
10⅛	9¼	ZweigT	n.08e	.8		410	9½	9⅜	9½	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 29

Stock	Div.	E	Sales 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 29

Stock	Div.	Sales 100s	High	Low	Last	Chng
Woldtr	.21	2	16⅞	16½	16⅞	+ ⅛
WolohlIx		199	6	5⅞	6	
Worthg	.44	15 543	21⅛	20⅞	21⅛	+ ½
Wyman	.80	14 162	15	14⅞	14⅞	− ⅛
— X — Y — Z —						
XL Dis		14 22	24	23½	23¾	+ ⅛
XOMA		161	12½	12	12⅜	− ⅛
X-Rite s		15 29	10	9½	9½	− ½
Xicor		11 1753	7⅛	7	7	
Xyvsn		120	4⅜	3⅞	4¼	+ ⅛
YelowF	.70	23 132	32⅝	32½	32¾	+ ⅛
ZionB	1.44	28	23¾	23¼	23⅝	+ ⅛

AMERICA

Programme trading lifts Dow after weak opening

Wall Street

A BURST of programme trading in early afternoon pushed Wall Street stock prices sharply higher yesterday after a morning of desultory low-volume trading, *writes Karen Zagor in New York.*

Equities had been largely unmoved by the release of the revised figures on third quarter gross national product. Expectation of a discount rate increase remained unrealised and analysts now believe an increase is unlikely before the release on Friday of November unemployment figures.

At 2pm, the Dow Jones Industrial Average was up 16.89 at 2,098.33 after trading only a few points above the previous close through yesterday morning. Volumes were very low with less than 9m shares being traded by 2 pm.

The revised GNP figures showed real growth of 2.6 per cent, up 0.4 percentage points from previously reported figures. Like stocks, bonds were little affected by the revised figures which were broadly in line with expectations. After dipping initially during early trading the price of the long bond rose by ¾ of a point with its yield slipping from 9.15 per cent to 9.13 per cent.

The dollar followed the same pattern, recovering by early afternoon to around Y122 from a mid-morning low Y121.40. The Bank of Japan intervened in Tokyo overnight to keep the dollar around Y122, and the dollar ended in Tokyo at Y122.15 and DM 1.7373.

RJR Nabisco, the most active stock on the New York Stock Exchange, added $1 to $90. Its financial advisers are believed to be seeking a floor of $100 a share on leveraged buyout offers. The deadline for revised bids was to close at 5 pm yesterday.

Prime Computer added $⅞ to $16¼ following an announcement that the company had rejected an unsolicited cash tender offer of $20-a-share by MAI Basic Four, a competing computer maker. Prime shares are now just over $1 above their October high of $15⅝ before the bid was announced.

Wall Street remains highly sceptical of the logic of a takeover by MAI of Prime and of MAI's ability to handle the indebtedness of the combined group. MAI edged ahead $⅝ to $8⅞ yesterday.

TW Services surged to $24⅞, up $2⅛, following the news that Coniston Partners, a New York investment firm, is seeking all of TW's common stock with an offer of $29-a-share. *Originally Coniston was seeking only 30 per cent of TW's stock.* The company has already rejected its offer.

Reebok International traded at $10⅞, down $⅜ following its announcement that it expected net income for 1988 to be down from $1.49 last year to around $1.15-$1.20. Sales of Reebok brand sports shoes were meeting targets but sales and earnings of its Rockport and Avia divisions were below expectations. It has started to take remedial action, such as laying off more than 100 workers.

Texas Air fell $⅝ to $13⅛ after its Eastern Airline subsidiary announced fare cuts on routes from the Eastern US to Florida. The announcement came less than a week after Texas Air led an industry-wide move to discontinue some cut-rate fares.

Canada

GOLDS, *energy issues and* base metals helped Toronto shares higher in early trading, with the composite index adding 3.45 to 3,264.65. Advances outpaced declines by two to one on light turnover of 4.8m shares.

Crownx, which said its Crown Life Insurance unit will withdraw from the US group life and health insurance business, was unchanged at C$11¼. Crown Life was flat at C$11¼. *Texaco Canada gained C$⅝ to* C$39⅝, with Bond Corp Holdings saying it was accepted into the second stage of the auction for the oil major.

Lethargy stifles Hong Kong's lively spell

Interest rate fears have set in after last week's welcome rally, writes **John Elliott**

HONG KONG'S stock market in the past two days appears to have settled back into its year-long state of lethargy following a significant rally last week which had raised hopes that a longer and broader-based recovery might be under way.

Concern about international interest rates, oil prices and the value of the US dollar has proved too great for the market, which was led higher last week by property stocks after the colony's Shui On Centre was sold for an unexpectedly high price of HK$2.5bn.

Even the emergence in the past two days of details of Hong Kong Telecommunications' HK$4bn share placement, plus news of minority shareholders' buy-outs by controlling interests in two prominent companies, have failed to keep the momentum going.

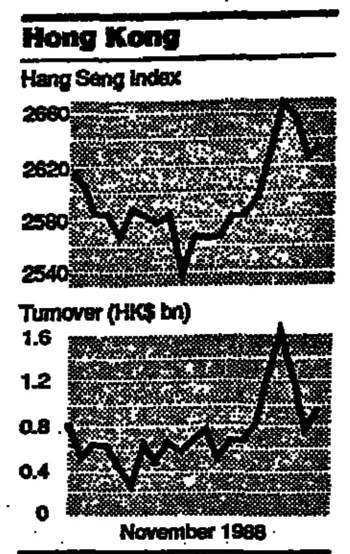
Last week the Hang Seng index, which hit its pre-crash peak of 3,949 in October last year, rose 3 per cent from 2,581 to 2,656. On Thursday it was at 2,666, its highest level since mid-July. Volume rocketed from HK$675.3m on November 18 to HK$1.6bn last Thursday and HK$1.2bn on Friday.

On Monday, however, the Hang Seng fell to 2,625 on turnover worth HK$777m. Yesterday, after a weak start it rallied, on the back of Tokyo's sharp rise, to 2,632 although volumes fell further to HK$660m.

"I don't know what will break through this wall which is holding back the market," says Mr Chris Chong, research economist with James Capel. "Things like Shui On do chip away, but not enough to move into a real rally."

The sale of the Shui On Centre last week, at a record price for the Wan Chai district of Hong Kong, underlined the fact that the colony's property boom is leaving shares seriously undervalued. Shui On's share price was roughly half its net asset value and has since risen by over 40 per cent from HK$1.15 to about HK$1.60.

Local investors provided much of the impetus for last week's rally but international institutional buyers were also active, with demand from the UK and the Continent, the US, Japan and nearby Taiwan.



"International institutions were also there changing over their portfolios switching from banking to property, without necessarily increasing their total holdings in Hong Kong," says Mr Richard Margolis, managing director of Smith New Court.

Other brokers say that new money was also coming in, especially from the UK, and that the international institutions were also switching out of utilities into property. This all showed they felt ready to move into a more aggressive section of the market.

Also boosting the market is what one broker calls a "privatisation kicker" – privatisation is the word used in Hong Kong for a company buying out its minority shareholders, usually at prices significantly above the current depressed share price but well below the company's asset value.

Yesterday, Elders IXL of Australia launched an offer to buy out the 25 per cent of Hong Kong-quoted Elders Investments which it does not already own. This followed similar moves in recent weeks by Bond Corporation of Australia, Cheung Kong Holdings and, on Monday, Sun Hung Kai Properties.

These buy-out offers underline the fact that shares are significantly under-priced. Brokers have names of about another 15 possible buy-out candidates, all of which can provide the market with some stimulus because of the prospect of short-term gains.

The current news of the HK$4.55 price at which the Hong Kong Telecommunications placement is to take place is expected to have a neutral effect on the market. However, it does remove uncertainty about the size of the what is the market's largest-ever placement.

Now Hong Kong is waiting for either some domestic fillip or a resurgence of international confidence to provide the basis for a new rally. There is not much optimism, however, about anything happening quickly.

"I don't see any meaningful increases in prices from this level in the short-term, with interest rates up in the US, oil price worries and a lack of confidence in the dollar," says Mr Richard Witts, managing director of Schroder Securities. "I can't even see a catalyst big enough to start the frequent rally that takes place before Chinese New Year early next February."

ASIA PACIFIC

Bargain-hunting helps Nikkei bounce back

Tokyo

BARGAIN-HUNTERS appeared yesterday after the substantial fall on Monday, triggering another round of widespread buying that lifted share prices, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei index recovered a large portion of the previous day's loss, closing up 334.98 at 29,318.30. Issues that rose outnumbered those that fell by 594 to 333.

Volume was moderately lower, at 1.14bn shares compared with 1.28bn on Monday. The TOPIX index of all listed stocks advanced 23.65 to 2,269.15, and in London the ISE/Nikkei 50 index rose 6.12 to 1,880.75.

What started out as bargain-hunting in Tokyo turned into more concerted buying towards mid-day. The spreading confidence and the substantial rise in share prices so soon after a large fall seemed to many investors to confirm that the market is on an upward trend.

"I could hardly believe it," said an analyst at Daiwa Securities, "but knowing the market is going strong, what else could I do but follow its lead?"

Even the two main causes of nervousness, which prompted a rash of selling on Monday, had by yesterday already lost their immediacy. Oil prices fell overnight in spite of the signing of an agreement on production quotas by member countries of Opec, and Japanese leaders voiced their opinion that even higher oil prices would not have a very negative effect on the economy. Fears of interest rate rises have so far been quelled by falling domestic rates, even though US prime rates did rise overnight.

Investors resumed their search for low-priced issues that have been lagging the market, especially those under Y500, and buying focused once again on shipping companies. Nippon Yusen rose Y29 to Y910, Japan Line increased Y21 to Y530 and Mitsui OSK Lines advanced Y15 to Y745.

Pharmaceuticals were actively sought, having fallen substantially from previous highs. Yamanouchi Pharmaceutical added Y100 to Y4,000 and Takeda Chemical rose Y70 to Y2,490.

A strengthening of the dollar against the yen attracted interest in electricals and precision machinery issues. There is a growing feeling that if the yen stays near the rate of Y121 to the dollar, its appreciation is mainly discounted by efforts *made by leading exporters.*

The signing by Japan and the US of a memorandum of understanding on the joint development of the next generation support fighter for Japan's defence force sparked *some interest in defence-related* issues, primarily the heavy industries. Mitsubishi Heavy Industries, the prime contractor, gained Y50 to Y1,080 and was the most actively traded issue at 95.8m shares. *Kawasaki Heavy Industries*, second most active stock at 94.3m shares and a subcontractor on the project, added Y31 to Y945.

Utilities, which had fallen on Monday, rebounded on lower interest rates. *Tokyo Electric* Power rose Y180 to Y6,650 and Tokyo Gas Y27 to Y807.

In Osaka, share prices ended higher with the OSE average up 201.72 at 27,385.55. Volume was lower at 96m shares from 118.3m.

Roundup

INTEREST rate worries depressed sentiment in the Asia Pacific markets yesterday, although the Nikkei's gains helped shares in Hong Kong and Singapore rise slightly.

AUSTRALIA showed no hint of a recovery as shares fell on interest rate concerns and news of lower-than-expected quarterly domestic economic growth. Sentiment was not helped by the decision of two *banks to raise their prime lending* rate by half a percentage point to 16.5 per cent. The All Ordinaries index eased 8.1 to 1,472.0 on turnover of 95m shares worth A$152m.

The mining sector was enlivened by *Normandy Resources'* takeover bid for gold and metals group Poseidon. Normandy already owns just under 20 per cent of Poseidon, and the bid led to good business in both stocks. Poseidon closed 28 cents up at A$2.10 – below the offer price of A$2.25 a share – while Normandy rose 5 cents to A$1.25.

Cadbury Schweppes Australia jumped 21 cents to A$4.29 in response to the announcement that Cadbury Schweppes in the UK had raised its offer for the shares it did not already own to A$4.25 a share.

Bond Media fell 1 cent to 39 cents, its lowest price since the shares were listed in 1987. Mr Alan Bond appeared on Monday before a regulatory tribunal investigating his fitness to hold a broadcasting licence. It *has also been rumoured that* Mr Bond will sell Bond Media, a story subsequently denied by the financier.

HONG KONG bounced back from early interest rate-induced weakness to end strongly on the back of Tokyo's rise. The Hang Seng index gained 7.6 to 2,632.68 as shares worth HK$660m changed hands.

Hongkong Land was the most actively traded stock, climbing 15 cents to HK$9.05 on turnover of over 4m shares.

SINGAPORE edged higher in average trade as the big investors *stayed away on the lack of* incentives to buy. The Straits Times industrial index rose 0.82 to 1,003.37 on turnover of 10m shares.

TAIWAN was hit by fears that the Opec production accord would raise domestic industrial costs, and shares closed lower in thin trade. The weighted index lost 181.77 to 7,083.16.

SOUTH AFRICA

A WEAKER financial rand helped gold stocks in Johannesburg close unchanged to slightly higher.

Among stocks that saw some movement, Southvaal gained R2 to R115 and Harties eased 15 cents to R23.85.

EUROPE

Somnolent tone continues despite corporate activity

THERE were signs that European bourses had plumped for early hibernation yesterday, as volumes stayed dismal despite sparks of interest from corporate activity, *writes Our Markets Staff.*

FRANKFURT recovered from Monday's steep losses as selective buying interest and a lack of sellers helped shares edge ahead late in the session in very light trade. "The market has just run out of ideas," said one analyst, who predicted that it would make little ground until the new year.

At midsession the FAZ index was down 1.22 at 521.33, and by the close the DAX had gained 3.42 at 1,262.55 as shares worth just DM1.6bn changed hands.

One of the reasons for the depressed sentiment was the release of figures *from* Commerzbank, which showed a 6 per cent drop in 10-month partial operating profit to DM532m. The results were at the bottom end of most expectations, and Commerzbank shares fell DM1.30 to DM232.70. Dresdner Bank – due to report today – rose DM1 to DM292.50.

Pharmaceuticals, metals and chemicals group Degussa climbed DM3.30 to DM372.30 after revealing better than expected nine-month sales of DM13.6bn, up 16 per cent on last year.

PARIS had another uninspiring session in low volumes as interest rate worries curtailed trading in all but a few stocks. One Paris analyst said: "I was almost asleep, the market was so quiet."

News of the October trade deficit, which came in at FFr4bn against forecasts of between FFr2bn-FFr3bn, had little apparent effect. They were regarded as "not too ghastly" given the shock FFr9bn deficit seen in August.

The CAC General index opened 1.6 lower at 390.5 and the OMF 50 index was off 0.62 at 403.90. Turnover was weak again after Monday's FFr1.1bn.

Eurotunnel was one bright spot, with strong demand continuing and about 264,000 shares changing hands. It rose by 85 centimes at one stage and closed 25 centimes higher at FFr51.20. Private investors and fund managers alike were piling on the bandwagon after calculations of the stock's longer-term potential value.

Nouvelles Galeries climbed FFr16, or 2.5 per cent, to FFr645 after Monday's news that investment firm Hong Kong Industrial Equity had built up a 5.5 per cent stake, raising questions over its intentions.

MILAN closed slightly higher in quiet trading as worries about international interest rates and an absence of overseas investors kept gains to a minimum. At the close the Comit index was up only 0.30 at 574.22 on volume of around L100bn, well below average.

Fiat rose L14 to L9,745, *regaining some of the losses* following the resignation of Mr Vittorio Ghidella last week. London investors were thought to be buyers of Fiat yesterday, said one dealer.

Italy's leading textile group Marzotto advanced L285 to L6,790 on strong overseas demand. Marzotto shares are tightly held, both in London and Milan, so good buying always sends the price sharply higher, explained an analyst.

Merchant bank Sopaf gained L101 to L3,231 as the company began to benefit from Milan presentations it recently held for international investors.

AMSTERDAM also traded quietly, with shares rising in late business on Wall Street's firm opening. News of a strong rise in the Dutch trade surplus to Fl14.4bn for the first nine months of the year also helped sentiment. At the close the CBS all-share index was 0.5 better at 97.7.

Aircraft manufacturer Fokker rebounded from recent losses to gain Fl 1.70 to Fl 22.70 on news it is talking to US group Lockheed about setting up a production facility in the US for F-100 jets. Over 1m shares, or 10 per cent of Fokker's capital, changed hands.

Royal Dutch Petroleum fell Fl 1.70 to Fl 222.10 on worries that the Opec oil production agreement might not stick.

ZURICH offered little in the way of excitement, closing slightly higher after a quiet session. The Crédit Suisse index added 3.3 to 505.8.

Insurance stocks were again sought as undervalued issues, with Zurich bearers adding SFr70 to SFr4,920 and Winterthur bearers putting on SFr35 to SFr4,810. Nestlé bearers rose SFr50 to SFr6,950.

STOCKHOLM recovered from Monday's interest rate worriesin better volume of SKr364m and the Affärsvärlden General index rose 6.9 to 946.3.

Trelleborg was the best performer, rising SKr11 to SKr261 on higher copper prices and an improved revision of analysts' earnings forecasts.

BRUSSELS saw further sharp falls in Fabrique Nationale and Gechem as shares eased overall, leaving the cash market index down 28.8 at 5,341.9.

FN dropped BFr220, or 29 per cent, to BFr540 after recovering from an even lower opening, and is now within the BFr300-BFr600 range for new shares issued under the recapitalisation plan. Gechem dropped BFr66, or 10 per cent, to BFr586, well within the new issue range of BFr450-BFr750.

MADRID was knocked by the increase in US prime rates and finished lower, with the general index off 1.37 at 282.23. Activity was constrained by concern over next month's general strike.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 28 1988					FRIDAY NOVEMBER 25 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	147.13	-1.8	118.75	111.95	4.59	149.87	120.50	114.21	152.31	91.16	102.01
Austria (17)	97.94	-1.1	79.04	88.30	2.44	99.05	79.64	88.34	100.00	83.72	94.72
Belgium (63)	133.55	-1.3	107.78	120.37	4.20	135.37	108.83	120.68	139.89	99.14	101.19
Canada (125)	120.45	-0.3	97.21	103.92	3.36	120.83	97.15	104.25	128.91	107.06	102.89
Denmark (39)	152.29	-0.5	122.91	138.57	2.16	152.99	123.00	137.90	153.98	111.42	113.95
Finland (26)	134.29	-0.2	108.38	115.63	1.45	134.60	108.22	115.54	139.53	106.78	–
France (130)	110.20	-1.4	88.94	102.33	3.18	111.72	89.83	102.74	112.05	72.77	85.55
West Germany (102)	85.98	-2.0	69.39	77.46	2.41	87.75	70.55	78.24	88.21	67.78	75.77
Hong Kong (46)	108.46	-0.7	87.54	108.73	4.74	109.19	87.79	109.44	111.86	84.90	83.08
Ireland (18)	131.11	-1.7	105.81	119.72	4.16	133.43	107.28	120.79	144.25	104.60	100.05
Italy (98)	84.59	-2.1	68.27	81.14	2.49	86.36	69.43	82.17	86.73	62.99	81.38
Japan (456)	186.00	-2.4	150.12	143.68	0.52	190.64	153.28	145.87	190.75	133.61	139.27
Malaysia (36)	140.06	-1.4	113.04	144.53	2.97	142.07	114.22	145.65	154.17	107.83	102.54
Mexico (13)	182.24	+1.1	147.08	455.68	1.12	180.19	144.88	450.57	182.24	90.07	115.44
Netherland (38)	109.04	-1.1	88.00	97.24	5.07	110.27	88.66	97.34	111.00	95.23	92.63
New Zealand (25)	70.34	-2.2	56.77	57.08	6.91	71.91	57.82	58.08	84.05	64.42	81.35
Norway (25)	126.64	+0.2	102.20	111.85	2.59	126.36	101.59	111.18	132.23	98.55	101.60
Singapore (26)	119.96	-1.0	96.81	107.57	2.52	121.12	97.38	108.28	135.89	97.99	94.91
South Africa (60)	126.65	+0.7	102.21	96.30	4.78	125.71	101.07	94.76	139.07	98.26	145.90
Spain (42)	152.12	-1.1	122.77	131.03	3.12	153.77	123.63	131.23	164.47	130.73	124.38
Sweden (35)	133.76	-1.1	107.95	119.55	2.39	135.28	108.77	120.16	137.43	96.92	94.51
Switzerland (57)	79.38	-1.8	64.07	71.38	2.38	80.82	64.98	71.95	86.75	74.13	80.70
United Kingdom (318)	136.97	-1.2	110.54	110.54	4.76	138.58	111.42	111.42	141.51	120.66	117.72
USA (577)	109.44	+0.5	88.33	109.44	3.72	108.92	87.57	108.92	115.55	99.19	94.01
Europe (1008)	114.00	-1.4	92.00	98.11	3.78	115.61	92.95	98.80	116.61	97.01	97.79
Pacific Basin (680)	181.27	-2.4	146.30	140.84	0.74	185.69	149.30	142.99	185.75	130.81	135.73
Euro-Pacific (1688)	154.35	-2.1	124.57	123.87	1.65	157.64	126.75	125.45	158.08	120.36	120.58
North America (702)	110.02	+0.4	88.79	109.12	3.70	109.55	88.08	108.65	116.07	99.78	94.48
Europe Ex. UK (690)	99.54	-1.6	80.34	90.56	3.00	101.14	81.32	91.14	101.29	80.27	85.42
Pacific Ex. Japan (224)	124.66	-1.5	100.62	105.09	4.61	126.51	101.72	106.68	128.27	87.51	92.92
World Ex. US (1886)	152.91	-2.0	123.41	123.07	1.73	156.05	125.47	124.58	156.39	120.26	120.23
World Ex. UK (2145)	136.18	-1.3	109.91	119.27	2.08	137.96	110.92	120.12	138.28	111.77	109.35
World Ex. So. Af. (2403)	136.29	-1.3	110.00	118.58	2.31	138.08	111.01	119.45	138.61	113.26	109.85
World Ex. Japan (2007)	112.28	-0.3	90.62	105.22	3.78	112.65	90.57	105.29	115.54	100.00	96.10
The World Index (2463)	136.23	-1.3	109.95	118.43	2.32	138.00	110.95	119.29	138.50	113.37	110.07

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

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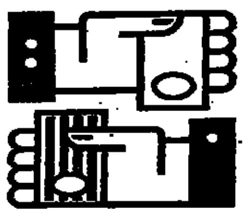
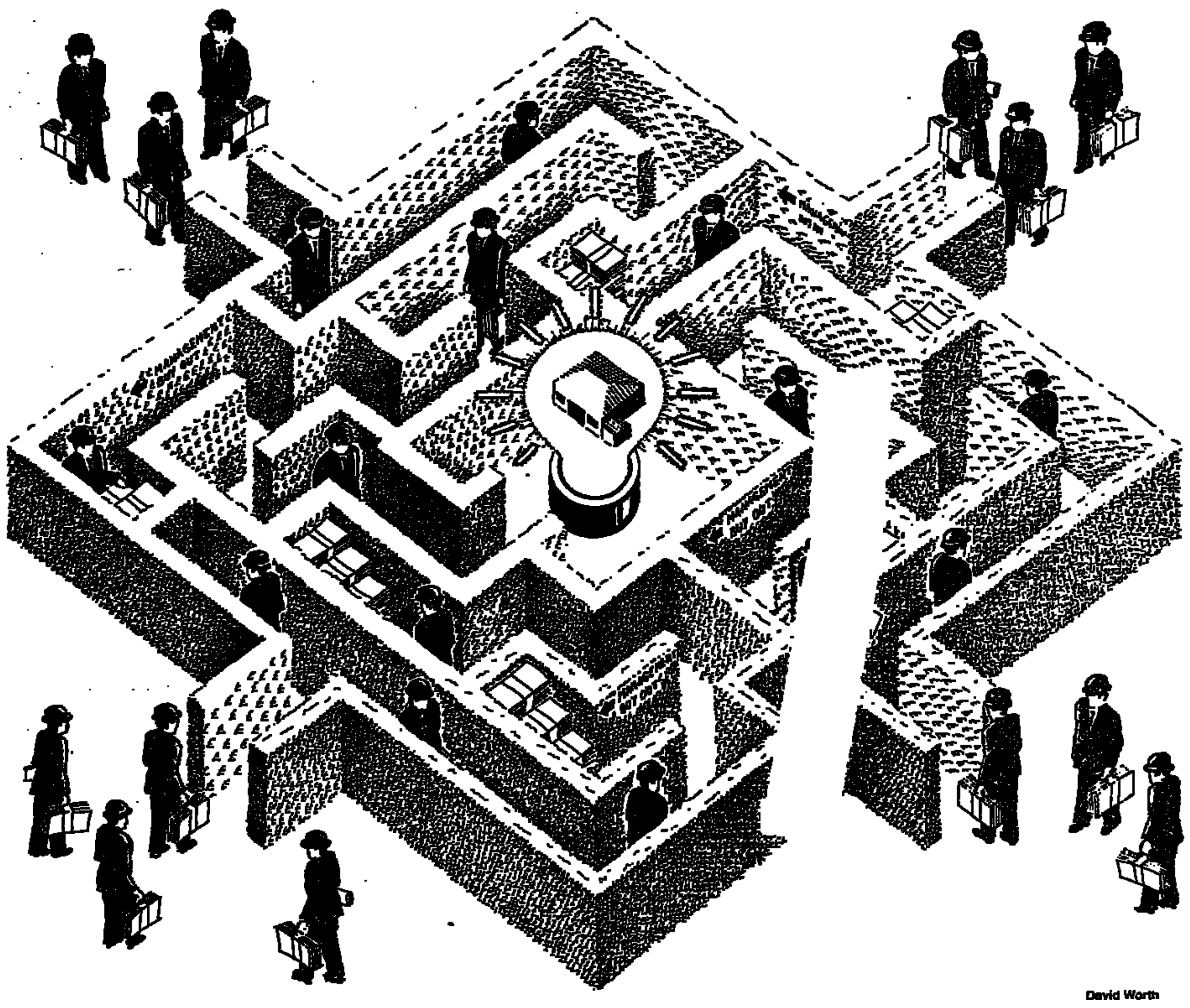
SECTION III

FINANCIAL TIMES SURVEY



The rush on both sides of the Atlantic to fund buy-outs and buy-ins threatens the industry's claim to be the backer of new enterprise. Alternatives to the slog of start-up and early-stage investments appear all too numerous, writes **Charles Batchelor**



David Worth

Venture Capital

CONTENTS

Diversions in the maze

ON THE face of it the venture capital industry in Europe and the US has had a good year. Both fund-raising activity and investments have remained at high levels despite early fears that last October's market crash would dampen activity.

In fact unquoted investments have become more attractive to institutions shaken by the volatility of their quoted investments.

However, the headlong rush by many venture capital groups on both sides of the Atlantic into funding buy-outs and buy-ins threatens the industry's claim to be the backer of new enterprise.

In Britain and the US, the two most developed venture capital markets, the earnings of the venture funds are coming under pressure. In the US the volume of money and the number of venture funds – some 650 currently manage about $30bn – mean the free-wheeling early days are over when big profits were possible.

On both sides of the Atlantic the institutions which put their money into venture capital funds are starting to question the venture capitalists' right to high fees. In the US investors are asking if venture funds which frequently raise new money should be able to command their usual fees on all of the money raised. They want discounts for volume.

In the UK institutions are pressing for higher performance hurdles – tied to the FT All-Share Index or other measures – which venture fund managers must jump before they can take up their usual equity options. Institutions are starting to ask whether the passive venture capital group putting together relatively safe, late-stage deals, deserves to earn the same fees – usually 2.5 per cent with an option on a 20 per cent share stake – as the "hands-on" venture capitalist backing riskier early-stage deals.

It is hard to find venture capitalists who will admit that the number of deals to come their way is on the decline. But many in the industry are concerned that a shortage of good managers able to run an early-stage company is leading to a fall in opportunities.

In Britain venture capitalists complain of the shortage of good quality managers who are prepared to set up new companies compared with what they see as abundance of such people in the US.

Electra Investment Trust, an early specialist in unquoted companies, recently recruited a senior manager from one of the leading executive search organisations. Advent, a high technology fund, prefers to make use of outside consultants because it believes they will have access to a greater spread of contacts. Even so, the Advent team spends half its time looking for qualified executives, Mr David Cooksey, chairman, estimates.

What is now happening is an increasing segmentation between funds and also within funds. Funds which have the financial skills to put together a £500m buy-out are unlikely to have the industrial knowledge needed to back a small software company.

"Management buy-outs and start-ups require different tempos," says Mr Ronald Cohen, chairman of Alan Patricof Associates. To avoid swamping the identity of its early stage team Patricof has created a separate group of executives to focus on buy-ins in the UK and France. Patricof is currently raising an Ecu250m (£165m) fund to do deals expected to average Ecu50m each.

A few UK funds have distinguished themselves by the ability to back high-technology deals. Funds without high-tech expertise sometimes refer high-tech propositions to these funds with the aim of coming in as a co-investor if the specialist gives the go-ahead.

Another specialist group within the industry is the fund which provides seed capital – the very small amounts needed to convert an idea into a business. The seed capital sector is still "desperately embryonic" in Britain, says Mr Philip Percival, managing director of JMI Seed Capital, comprising just half a dozen funds with about £15m under management. But he is heartened by the interest shown by one non-seed venture fund which is thinking of co-financing deals which JMI thinks are worth backing.

Many venture capitalists believe that the funds which survive will be those which can establish a strong profile for themselves among the ranks of the also-rans. The successful venture capital groups of the 1990s will be those which not only have the finance but which, more importantly, can originate deals and devise creative solutions to their clients' problems. The "me too" organisations which come in on a deal which has been researched and arranged by others will have a harder time.

The venture capitalists' response to the growing competition for good deals has been to devote more effort and money to marketing their services – to entrepreneurs, investors and managers in large corporations who might be persuaded to come out to join a start-up or a buy-in. The days when venture capitalists could simply let a grateful business community beat a path to their door and then reject 49 out of every 50 proposals are coming to an end.

Venture organisations such as Rothschild Ventures and ECI Ventures say they have been combing their lists of contacts and of existing clients to see where extra business could be generated. Individual members of the ECI team have lists of accountants, lawyers and headhunters whom they visit on a regular basis in the hope of generating new leads.

Venture capitalists are also giving greater thought to polishing their image. Midland Montagu Ventures has promoted itself as a backer of buy-ins and has coined The Venture Catalysts as its slogan. 3i has hit on Growth Capital as a campaign title.

While venture capital continues to attract large sums, the direction of some of these flows is now changing. Some of the independent funds, which raise all their money from the market and which have no friendly financial backer, are worried by the increasing power of the venture capital subsidiaries of the merchant banks.

The banks, which manage large amounts of discretionary pension fund money, are channelling all of their venture capital investments through their own venture capital subsidiaries. This means less is available for the independents which complain that the banks may be neglecting their duty to obtain the best deal for their pension fund clients.

Overall, however, the amount of money available is expected to hold up as the industry catches its breath after two years of hectic growth. Independent funds raised only £370m in the first nine months of 1988 compared with £620m in the same period last year. But Ms Susan Lloyd, UK managing director of Venture Economics, a specialist research group, estimates funds which are still raising money will take the year's total to £705m, nearer the record £708m raised in 1987.

Investments in the first half of 1988 were £550m, Ms Lloyd estimates. If levels are maintained in the second six months they will equal the £1.03bn invested in the whole of 1987.

In Europe as a whole the venture capital industry reached an important milestone in 1987. For the first time more finance was raised in Europe last year than in the US, according to the European Venture Capital Association. In Europe a total of Ecu3.9bn (£2.6bn) was raised compared with Ecu3.8bn in the US. However, the longer tradition of venture capital in the US meant that the pool of money invested or available for investment in the US remained greater – at Ecu22.2bn against Ecu13bn in Europe.

Britain continues to dominate the European venture capital scene with a Ecu7.1bn (£4.7m) pool of funds, followed, at some distance, by France with Ecu1.9bn. However, growth rates in France and several other Continental countries are faster than the UK. The attraction of the Continent, where less ferocious competition means deals can be more attractively priced, is reflected in the sharp increase in UK venture funds which are establishing a presence there.

Buy-outs, buy-ins, Continental Europe – the alternatives to the unglamorous slog involved in start-up and early-stage investments – appear all too numerous. But not everyone is convinced that venture capital in its original form is dead. Buy-outs may have proved more profitable recently but with the stock markets past their bull stage and with start-up profits yet to come through investors may rediscover early-stage investments.

"This industry moves in cycles. Early-stage deals will become popular again," seasoned venture capitalists maintain. Entrepreneurs must hope they are right.

Heather Farmbrough on why the Business Expansion Scheme has lost sight of its original aims

An initiative tarnished by a tax dodge image

THIS YEAR the nature of the Business Expansion Scheme has altered radically. It is now little more than a device to raise money for residential properties to be let as assured tenancies.

It seems unlikely that this was what Sir Geoffrey Howe, the then Chancellor of the Exchequer, had in mind when he announced the introduction of the BES in 1983.

The scheme has often been criticised as simply a device to enable the rich to get richer

It fell to his successor, Mr Nigel Lawson to change it in this year's budget by limiting the amount which could be raised in any one year under the scheme to £500,000. At the same time, tax relief available under the scheme was extended to assured tenancies which were allowed to raise up to £5m.

Mr Lawson had been expected to make some changes but the £500,000 limit on most businesses took observers by surprise.

By extending tax relief under the scheme to assured tenancies, BES has become an effective vehicle for government housing policy, but it is questionable whether it is an effective means of raising capital for new businesses in other areas.

Indeed, the scheme seems a long way from its original objective of providing a source of equity for start-up businesses which might otherwise have found it impossible to raise money, while encouraging wider share ownership among the public.

Until April last year, a variety of entrepreneurial businesses, ranging from scallop farming to cartoon animation, found BES a popular way to raise money.

In the first four years of the scheme, £502.7m was invested in 883 companies. In the 1987/88 tax year, a further £180m went into the scheme from more than 18,000 individuals, many of whom were QCs, according to research conducted by the Labour Party.

Ironically, the issues which have found it easiest to raise funds – asset-backed schemes – are the least risky although the scheme was set up specifically to help high risk businesses.

By April this year, the most popular schemes were secured contractors, sheltered housing developments and hotels, with private hospitals, gardening centres and catering in the second division.

To encourage investment in high risk businesses too small to appeal to other venture capital funds, the government offered investors an attractive tax break.

Today this is a less appealing incentive now that the top rate of income tax has been reduced to 40 per cent.

The scheme has often been criticised as simply a device to enable the rich to get richer. Investors are able to claim relief against taxable income at their top rates of personal income tax in respect of the amount invested (up to £40,000) in the year in which the investment is made.

Providing the shares are not sold for at least five years, they are exempt from capital gains tax. The gearing effect of such schemes makes it most attractive to higher rate taxpayers.

The combination of the tax break, and the asset–based nature of assured tenancy schemes have ensured their popularity.

Assured tenancies will be introduced in the forthcoming Housing Act (expected early next year), which removes many of the previous restrictions of the Rent Act by allowing landlords to set a market rent with a built in mechanism for rent reviews, and by making it easier for them to regain possession of vacant properties.

UK investment by financing stage
% of amount invested

	1983	1984	1985	1986	1987
Start-up	14.9	16.7	12.9	15.5	8.0
Other early stage	10.3	9.5	6.4	7.3	4.2
Expansion	43.3	40.7	36.1	27.2	22.2
Buy-out/buy-in/acq	24.2	27.9	38.1	43.8	62.5
Secondary purchase	6.8	5.1	5.6	4.7	3.1
Other	0.5	0.1	0.9	1.5	n/a

Source: UK Venture Capital Journal

The most popular schemes with investors are those in the North and Midlands. Landlords are trying to recruit short stay tenants such as nurses, students and military personnel, largely because assured tenants have possession for life so long as they are paying a market rent.

Under BES, assured tenancies have raised £101.6m, compared with only £4.4m for other companies.

The new style BES also differs in the way in which money is raised. Earlier, the scheme was dominated by prospectus issues, where a company sold its shares through an application form in a prospectus which set out all the key points of the scheme.

These issues were open to the public and usually sponsored by a venture capital company. Sponsorship was lucrative business, with the sponsor often taking 10 per cent of the money raised in addition to various bonuses.

UK investment by financing stage
% of financings

	1983	1984	1985	1986	1987
Start-up	23.5	19.3	19.1	20.8	19.5
Other early stage	18.8	13.0	11.2	11.7	8.6
Expansion	33.4	47.5	47.9	43.9	47.0
Buy-out/buy-in/acq	19.6	16.2	15.7	18.8	21.2
Secondary purchase	4.1	3.8	5.5	4.1	3.1
Other	0.6	0.2	0.6	0.7	n/a

Source: UK Venture Capital Journal

However, there is little point in sponsors promoting issues raising less than £500,000 (for which smaller companies can rarely afford the sponsors' fees). Of the £106m raised this tax year, £60.5m has come from prospectus issues – much lower than last year.

Sponsors have turned their attention elsewhere. Johnson Fry, for instance, has adapted the idea of a fund and set up a scheme to invest in regional property developments. Meanwhile, BES funds have enjoyed an easier ride than before, although a number failed to raise the minimum subscription.

Historically, funds have proved unpopular, partly because they were perceived as expensive and partly because the majority have been poor communicators and performers. Investors want greater control over the companies selected.

But have the changes in BES been for the best? Sponsor Mr Charles Fry believes the changes to the scheme were understandable.

"The government attitude was not unreasonable – BES had had it good, but while BES had carved a niche, the venture capital industry had expanded. So it was no longer reasonable to give money away from the taxpayer. The problem is that people don't like investing in companies asking for less than £500,000 because they just can't get the management."

Mr John Spiers of Best Investment takes a stronger line. He argues that smaller companies have found it impossible to raise money under the new kind of scheme.

"There is no indication that the money is available from venture capital," he says. "The industry is not interested in initially low return projects or anything under £3-£4m."

BES seems a long way from its original aim of providing equity for start-up businesses

There is no doubt that companies are finding it harder to raise finance under BES. It is too early to say whether good companies are finding it impossible.

Earlier this month, Mr Norman Lamont, Financial Secretary to the Treasury, confirmed the government's commitment to assured tenancy schemes up until 1993 when the present relief expires.

The relatively secure nature of such tenancy schemes will ensure that money goes into safer, property-backed companies rather than the individual, more entrepreneurial ventures the scheme was designed to help. The scheme's overwhelming image remains that of a tax dodge.

THIRD MARKET

Little cheer for tier hit by initial design flaws

THE THIRD Market approaches its second anniversary in January with few of the expectations of its founders fulfilled.

The rationale behind the market, when it was established in 1987, was to provide a forum for those companies which were too small, or too new, to join either the Unlisted Securities Market or the main market.

Rules were relaxed for Third Market entrants. They were required only to produce a one-year trading record, against three years on the USM and five on the main market, and there was no minimum set for the amount of their equity that had to be in public hands.

There seemed to be a niche for companies not covered by either of the two Stock Exchange tiers, judging by the number of companies which had joined the over-the-counter market.

However, by the mid-1980s the OTC market had developed a reputation for poor investor protection standards and low-quality companies. The idea behind the Third Market was to create a better standard of protection for the investor, while lowering the costs of flotation. It was hoped that many companies would switch from the OTC to the new tier.

The tier has failed to attract start-ups or provide a forum for raising capital

Early estimates were that 120 companies would join the Third Market in its first year. In fact, by October 1988, the total number of entrants was just 51, of which four had since graduated to the USM.

Nor has the market been successful in attracting start-ups (just three) or in providing a forum for raising capital (23 out of the 51 new issues were introductions).

However, to be fair to the Third Market, the USM was also initially slow in attracting companies although it is now undoubtedly a success. Given that the Third Market's brief history has included the October 1987 equities crash, its record is not disastrous.

What seems to have held the market back is a flaw in its original design. In its efforts to make the market less regulated, the Stock Exchange decreed that a company's sponsors would have to carry out most of the monitoring work.

It sounds good in theory, but in practice it is rather an onerous responsibility. No sponsor wants to be the first to have a failure, with all the attendant bad publicity in the media and among investors.

Thus, sponsors have been very cautious in choosing which companies to support and that has inevitably meant that some of the young, adventurous businesses have failed to gain access to the market.

The work carried out by sponsors has also increased the costs of a Third Market issue. In fact, a recent study by accountants Peat Marwick McLintock revealed that the costs of coming to the Third Market were not significantly lower than those on the USM, and in terms of percentage of capital raised, were actually higher.

This is despite the fact that the Stock Exchange waived initial and annual fees for Third Market entrants and set advertising requirements at a very low level.

As a result, many venture capitalists may have decided that they might as well wait the three years before a company qualifies for the USM rather than go through the expense of joining the Stock Exchange's lowest tier. Three years is not, after all, a long gestation period for a venture capital investment.

The three start-up companies that have joined the market have not been trading long enough to be fairly judged. Medirace is still reporting progress in developing a treatment for cancer and AIDS; ChemEx International, a waste-testing laboratory business had to report first-year revenues "substantially lower than expected"; and Far East Resources has not yet reported startling success in its Philippines oil drilling programme.

Start-up companies may form a steady trickle of entrants onto the third tier but a flood of companies were expected to arrive in the form of transferring OTC companies and Business Expansion Scheme groups.

However, so far only 11 OTC companies have joined the Third Market. The main reason seems to be that few pass the scrutiny of potential sponsors, who are unwilling to support a company making pre-tax profits of less than £100,000 per annum. The complex share structures often found in OTC companies also deter sponsors and institutional investors.

Business Expansion Scheme companies have also been slow to come to the market. In part, this is a question of timing. The BES was established in 1983 which means that only now are companies starting to finish the five-year qualifying period which will allow investors to sell their shares and retain their tax relief.

Few of the Third Market's original expectations have been fulfilled

BES rules restrict where stocks can be traded for the first three years after creation. If companies join the USM or the main market, they cease to qualify for the scheme. That restriction does not apply to the Third Market; only four BES companies have so far joined that category.

The main reason is probably that, whether or not BES companies join the market, investors still cannot sell their shares and keep their tax relief until the five-year period is over. Liquidity in such companies will inevitably be restricted.

In fact, liquidity remains a fundamental problem for the whole tier. In December last year, the number of bargains recorded on the market was just 868, totalling £2.9m. Although business has improved since then, the average daily number of bargains is still about 170, compared with 9,000 on the USM.

Such totals will not encourage either market makers or investors to take an interest in the tier. The Third Market needs something to happen to help it out of a vicious cycle of too few investors, too few companies and too few adventurous sponsors.

Philip Coggan

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Ian Hamilton Fazey *on moves to correct UK regional imbalance*

Local knowledge an asset for the North's players

MR PETER FOLKMAN was one of 3i's potential high flyers. He was the highly successful director of the large Manchester regional office and looked set for eventual promotion to a more senior job in London.

Six weeks ago he quit. Today he is completing the formation of the North of England Venture Fund and will run it with a former senior manager from industry. It will have at least £15m to invest straight away and he expects to have another £5m on tap soon.

One of the fund's sponsors will be Schroder Ventures – London-based but with international operations in Italy, West Germany, the US, Canada and Japan.

The other will be Rickitt Mitchell, the Manchester investment house which can fairly claim to have invented the corporate finance boutique, and which came to national prominence when it acted for the Land Rover management in its abortive attempt to buy out the business.

Mr Folkman is, however, very frustrated. "There are a lot of good deals about at the moment," he says. "If we had been up and running by now we could have done our first year's investments in the first three months."

He expects to be in full swing before the end of the year but in the meantime he is in the slow but proper process of satisfying the requirements of the Financial Services Act.

Mr Folkman's prospective fellow fund manager - he is currently on the look-out - will be someone with experience of running a major multi-million international business. It says something about the way things are developing that there are two eager applicants on the short-list.

What is important about the development is not just the quality of the people and institutions involved, but the fact that they will be joining a growing network of similarly powerful emergent sources of venture capital outside London.

Only four years ago, there were very few outside 3i's network of 27 regional offices. London and the South-East had most of the funds and – since good local knowledge is usually needed to spot a good investment – most of the deals. Few London managers ventured far from home.

Lazards' regional funds – now run by the Development Capital Group – were one exception; County NatWest also began to beef up its operations in Birmingham, Leeds, Manchester and Edinburgh.

The enterprise boards or similar funds set up by the now-abolished metropolitan county councils of Greater Manchester, West Yorkshire, the West Midlands, South Yorkshire and Merseyside were winning their spurs but, generally, it was loan capital from the banks and 3i that most smaller businesses expected to use to finance expansion.

In 1984, 83 per cent of 3i's total business was in loans with the rest in equity funding. This year the equity proportion will rise to 28 per cent, much of it in the regions, where 3i remains the major source of funds outside the clearing banks.

The proportion is rising in the face of pressure from two sources – demand from clients who want to expand with sensible gearing and competition from venture capitalists like Mr Folkman.

The major players in the north also include Mr Richard Marshall, whose Manchester-based March Investment Fund is backed by £20m from British Gas's pension managers.

Then there is Mr Michael Denny of Northern Investors in Newcastle, which has done well enough with its first £5m to be launching a new £15m fund this year for investment not only in the north but Scotland too.

Another emergent figure is that of Mr Barry Anysz, who has been very successful in running a series of business expansion scheme funds in Leeds, but who has now been taken over by the aggressive independent financial services group of BWD Rensburg and is likely to have much larger sums to play with.

At the same time, Yorkshire Enterprise has sprung from the old West Yorkshire Enterprise Board with several big, successful investments behind it and continues to do well. The other enterprise boards, and the South Yorkshire Superannuation Fund, are also in the market.

British Steel Industry – the job-creation business set up in the steel closure areas – has also now made equity investments the main plank of its financing programme and Mr Roger Thackery, the chief executive, says he is pleased with the results.

The trend is also apparent in County NatWest's venture capital operations. In 1986 it put £25m into 48 deals – all but £3m into 41 deals in London.

Last year, there were 62 deals totalling £55m, but Birmingham, Leeds and Manchester had increased their share of this to £14m spread between 17 deals.

The figures for the first 10 months of this year show the trend continuing. The Midlands and North have completed 20 deals totalling £19m compared with London's 37, worth £30m.

What all this means is that a truly regional infrastructure of venture capital sources is now becoming firmly established outside London.

The implications are important for regional development since it means that the companies with the best prospects for growth can get money from local backers with local knowledge who can also give quick decisions.

The institutional investors who put money into venture capital funds are beginning to recognise this.

"We have got more, better quality, convertible inquiries from institutions than we can handle. Local authority pension funds are now beginning to show much more interest in giving us money to invest," says Mr Denny of Northern Investors.

Mr Charles Richardson, Mr Folkman's successor at 3i in Manchester, says that the development of this new regional infrastructure is changing things dramatically.

"We are not seeing much competition from London funds these days. It's coming from the local funds instead," he says.

"These regional funds are good news for the regional offices of 3i because they mean that there is now a means to syndicate big deals locally. It means not having to go to London and therefore faster decisions. Deal flow is improving all the time."

Statistical evidence reflect the changes: 3i's investments outside the South East nearly trebled between 1984 and 1988, compared with a rise of 122 per cent in and around London. This is moving towards a considerably better balance – £232m invested in the South East and £218m in the other regions.

Mr Folkman believes that the balance generally will shift even more as the regional infrastructure of locally-managed, independent funds improves.

One reason why will be cost. 3i charges clients 2 per cent of the value of a deal for arranging it. Mr Folkman and his colleagues will be paid by the North of England Venture Fund's backers, not the clients. This is going to make the fund very much more attractive to *businesses looking for finance.*

At the same time, the hands-on approach he will adopt towards investments will help maximise returns, as Mr Denny has already proved at Northern Investors. Remote London fund managers – or high volume operators like 3i – cannot afford the time.

The regional venture capital scene looks set for a year of accelerating change.

Companies by geographical location (Dec 1987)

	Companies	%	Pool(£m)	%
London(City)	44	41.1	2,068.0	51.6
London(West End)	25	23.4	1,261.8	31.5
London area	11	10.3	106.5	2.7
Birmingham	5	4.7	64.9	1.6
Scotland	10	9.3	318.0	7.9
Others	12	11.2	187.6	4.7
Total	107	100.0	4,006.8	100.0

Source: UK Venture Capital Journal

Management buy-outs/buy-ins

A trend too good to last

THE VENTURE capital industry faces a paradox. It is now making its highest returns on some of its least risky investments. Management buy-outs have become more profitable than start-ups or early stage investments despite the lower level of risk involved in the buy-out deal. This reversal of the normal rules of investment worries many venture capitalists.

"It is an economic nonsense and it cannot last," says Mr Tony Lorenz, managing director of ECI Ventures. "But the fact is that in the UK buy-outs have produced the highest returns. The young technology-based company (the traditional target for venture funding) is always scrabbling to remain state-of-the-art because the market in which it operates lacks the scale of the US or Japan."

The typical management buy-out company, in contrast, is usually a well-established business in a mature industry producing a comfortable and regular cash flow. Provided it is not loaded down with too much debt its management should be capable of continuing to run a business they already know well.

Is it any wonder then that many venture capital groups now devote the bulk of their funds to buy-outs at the expense of start-ups and early stage financing, where the pay-off is uncertain and the time required for the investment to mature much longer?

Start-ups may take seven to 10 years to bring to market compared with many buy-outs which have been floated in less than two years.

From just 13 buy-outs totalling a few million pounds in 1977 the total rose to 300 deals worth £2.82bn in 1987. The stock market crash of October 1987 put a temporary halt to deal-making activity but business recovered and the first nine months of 1988 saw the completion of 210 deals totalling £2.3bn, according to accountants Peat Marwick McLintock.

In Britain buy-outs and buy-ins accounted for 55 per cent of all venture capital investments by value in 1987, according to the British Venture Capital Association, though they represented only 18 per cent of the number of deals completed. In 1986 these deals accounted for 45 per cent of deals by value and 21 per cent by number.

In Europe as a whole buy-outs also increased their share of total venture fundings, accounting for 36 per cent of all investments by value in 1987 compared with 25 per cent in 1986, the European Venture Capital Association reported.

The £715m buy-out of MFI, the furniture retailer, which was completed just before the stock market crash, remains the largest UK buy-out. But there are signs of a move upscale with the prospect of a growing number of public company buy-outs. Virgin Group is currently carrying out a £248m buy-out to take itself private after less than two years on the stock exchange.

The creation of a £200m First Britannia Fund by Drexel Burnham Lambert, the US junk bond specialist, and the arrival in London of GE Capital, the finance arm of General Electric of the US, may have set the stage for a fresh round of big buy-outs in Britain.

The European buy-out scene lacks the frenzy of the US, where new records were set last month with the $20bn (£11.6bn) offer for RJR Nabisco, the foods group, from Kohlberg Kravis Roberts, the Wall Street investment house.

One factor which is restraining a resumption of large-scale buy-outs in Britain is the recent increase in interest rates. Some deals under preparation have been halted while buy-outs which have already been completed will probably take longer to achieve their budget targets.

For a management team planning a buy-out times have never been better. Record amounts of money are chasing the good deals and if a buy-out proves impossible managers can often attempt the buy-in of another company.

When 3i, Britain's largest venture capital group, announced recently that it was looking for 200 managers interested in staging a buy-in it received 700 replies.

This overhang of so much money has placed managers in the enviable position of being able to negotiate very favourable terms for themselves. They are often able to acquire large initial equity stakes in the business with "ratchet" arrangements which allow them to increase their holding still further if targets are met.

Some venture capitalists grumble that the pendulum has swung so far towards managements that some deals are simply not worth doing. Too little is left over for the outside investors, they complain.

What worries the deal-makers is that competition for the good deals will force a relaxation of the normally conservative financing ratios on which UK buy-outs are based. Buy-outs in Britain have typically carried three or four times as much debt as equity compared with the US where the ratio is usually 9:1 or 10:1.

US buy-outs have depended on the rapid sale of unwanted assets to bring borrowings down to more manageable levels. In Britain and the rest of Europe bought-out companies are expected to pay off debts without breaking themselves up in the process.

Buy-outs in Britain have been fairly safe investments. 3i reckons one in 10 of the deals it backs will fail while a further one in 10 will need refinancing or restructuring in some way. This compares with a failure rate for start-ups of one in three.

Even in the US, where deals are more vulnerable to rises in interest rates, buy-outs have been relatively risk-free. But the problems of Revco, a large drugstore chain which filed for protection from its creditors last July, have given a warning of what can go wrong. Revco fell victim to the ambitious performance targets on which its financing was based.

One result of the growing competition between investors for the good deal has been the arrival of the buy-in. They are closer to start-ups than to buy-outs in the degree of risk involved and require far closer monitoring by the deal-maker, but they can also give higher returns to the investor.

Another has been the move by many UK-based venture capital organisations into Continental Europe. Buy-outs have taken off in France as a means of securing the future of family-owned businesses set up after the Second World War. Similar potential for buy-outs is seen in Spain and Italy.

The buy-out has established itself internationally as an effective means of revitalising tired businesses. However, its success has prompted some venture capitalists to ask whether the venture capital industry is not neglecting its original role of helping young companies to get started. If today's start-ups cannot get backing there may be a shortage of companies around tomorrow suitable for a buy-out.

Charles Batchelor

International Comparisons

	Companies	Total(£bn)	Capital under management per company(£m)
US	627	16.1	25.7
UK	107	4.0	37.4
Canada	71	1.1	15.5

Source: UK Venture Capital Journal

VENTURE CAPITAL 4

Contrasting international views over the value of corporate venturing

An idea with little support in UK

IN THEORY, corporate venturing should be a splendid idea. Very broadly, it refers to the concept of practical co-operation between a small company and a much larger one.

The small company, it is suggested, can provide the key technological advantage. Its size should enable it to respond quickly and freely to marketing opportunities. And it should benefit from highly-motivated management/research talent, unfettered by the bureaucratic shackles of the large company ethos.

The larger partner possesses both financial muscle and credibility. By lending its name and its finances to its smaller partner, it can speed up the progress achieved by the small company substantially. In theory then, both sides should benefit.

Yet the very notion of corporate venturing appears — to date — to have fallen on somewhat deaf ears in the UK. According to Ventures Economics, the number of venture-backed UK companies with a corporate co-investor totalled only 40 in 1987. However, even this was a big improvement on the one recorded case in 1983, the three for 1984 and the seven in 1985.

This year there is unlikely to be any substantial progress, in contrast to the US experience. As Ms Sue Lloyd at Venture Economics remarks: "The sad thing about the UK is that it has a very good venture capital industry, but the role of the corporate involvement is miniscule."

Quite why the UK is so reluctant to embrace this idea is difficult to pin down. A 1986 Economic Development Office survey on corporate venturing — which involved 1,000 of the largest companies in the UK, of whom 228 replied — suggested that the most common reasons for by-passing this notion rested partly on concern over diverging objectives and the prospect of control problems.

Elaborating on this, those with an interest in the idea suggest that the UK has relatively little tradition of minority stakes — in contrast to some of the Continental countries — and that many large companies are hampered by fairly formidable control lines — "who do you approach — is it the R&D people? Or is it finance?" queries one supporter.

That said, to suggest that the UK venture capital industry has given up on the corporate venturing concept would be misleading. There are certainly those who claim that it is soley a matter of time before large companies perceive the value of the exercise, and that if the right people can be tapped personally, the idea could be more readily accepted. For example, 3i says that it is "actively embarking" on a programme which will involve talking to major UK groups who look likely candidates for this area. On the way, it will stress its own willingness to get involved as an outside partner.

Corporate venturing, moreover, spans a number of different structures, some of which — at least in the eyes of certain observers — offer more potential than others. The most basic notion is that the large company should have a direct (minority) equity investment in a small one — the latter being either a new business, or one with which has no direct connection with the larger investor but which the bigger company feels shows genuine prospects.

Despite the success of corporate venturing in the US, most large companies in Britain remain unconvinced about this technique

Moving on from this, there is a similar situation where large backs small with the risk being shared with a venture capital specialist. Take this notion a stage further and the large company may even wish to invest in a venture capital fund — thereby spreading risk even more widely.

All of this is theoretically possible and, indeed, a handful of instances could be cited in the UK. What tends to generate far more enthusiasm, however, is the notion of "spin-outs" — either with or without third party (ie venture capital) support.

The idea here is that large companies sometimes generate projects or possibilities which are inherently valuable but which cannot be pursued within the objectives of the company itself. If such developments, and the individuals connected with them, can be practically "spun-out" from the original parent, both sides can benefit. The large parent retains an interest in a (hopefully) growth product, and does not wave a final goodbye to staff who might otherwise have been tempted to defect or go solo anyway.

The small company, meanwhile, sees the practical benefits of the large group's backing — be it financial, office space, marketing and so on — while those involved in the "spun-out" company do not sever the links quite so drastically and, in psychological terms, stake everything on the new venture.

The idea still raises a heap of questions, such as the commitment of the large company to helping the small, the degree to which the small company managers will really be behind the new ventures if they are still attached to the large, and so on.

Cases can, however, be cited where this approach has brought convincing results. Mr Alan Spiers at 3i Ventures, for example, produces the example of a specific computer development which occured within ICL — essentially designed to speed up computer processes — which was happily spun-out. As a result, the new company was free to market to other computer manufacturers without incurring conflicts of interest.

The Nedo document, on the other hand, quotes Microscribe which was set up in 1985 as part of the Sector Group. The company makes miniature computers and terminal equipment. Sector, although involved in the computer design, was anxious not to become heavily involved in this specific area. Instead Sector took 30 per cent of the new company's equity, 3i another 30 per cent and the managers of the new business held the remainder.

Nikki Tait

INVESTMENT BY INDUSTRY SECTOR (excluding management buy-outs)

	% of companies				% amounts			
	'84	'85	'86	'87	'84	'85	'86	'87
Consumer-related	19.7	22.0	26.6	18.6	22.5	19.5	22.0	20.3
Computer-related	14.8	14.9	13.7	14.3	15.6	19.5	11.0	11.6
Electronics	10.4	10.5	7.2	5.4	12.6	13.1	7.5	6.0
Medical/Genetics	8.0	4.0	7.0	8.1	6.5	5.3	9.9	13.1
Industrial products	8.9	11.9	7.6	6.5	7.9	7.7	6.6	4.0
Communications	5.9	6.9	5.7	6.0	6.5	6.9	6.8	3.9
Transportation	4.6	3.8	4.7	3.4	2.7	3.2	7.7	2.3
Energy/mining	4.3	2.2	1.4	1.2	3.6	2.1	2.4	1.6
Construction	3.7	5.0	2.9	3.8	4.6	3.7	2.0	4.6
Other manufacturing	6.3	7.3	4.9	9.7	6.0	6.2	3.6	6.8
Other services	13.4	11.5	18.3	23.0	1.6	12.8	20.5	25.8

Source: UK Venture Capital Journal

VALUATION METHODS

The search for common standards

HOW VENTURE capital funds value the businesses they back is becoming an important issue for the industry and for the institutions which invest in it.

Putting a value on young, unquoted companies is a tricky business. One venture capitalist discovered that an investment which he had written down to just 25 per cent of its initial value appeared on a co-investor's books at the full original value.

Agreeing on the valuation of individual investments is only one problem. The overall value of venture portfolios can fluctuate wildly depending on the timing of changes in the assessment of individual businesses. The lack of a liquid market for unquoted securities means revaluations and devaluations can be sudden and savage. One venture fund increased the value of one of its investments 29 times "overnight" when the company was floated.

But it is the inability of the venture capital industry to agree a set of common valuation standards which is causing most concern. The spectacular increases in the amounts of money going into venture capital in recent years are unlikely to continue if the industry is unable to show its investors — the pension funds, insurance companies, banks and large companies — that their money has been well spent.

"It is difficult to raise capital in Britain," says Mr David Cooksey, chairman of Advent, which specialises in high-technology investments. Advent raised 85 per cent of its most recent fund outside the UK. "There is a lack of information on the industry's performance. The jury is still out on venture capital."

Few observers expect uniform valuation standards to emerge in the near future

The problem facing venture capitalists in the UK is that most of the independent funds set up in the early 1980s have yet to complete a full 10-year investment cycle and repay their investors. They are dependent on interim valuations of their holdings in a host of small companies.

The "captive" funds, which form part of larger financial groups, meanwhile bury their results away in their consolidated accounts and anyway use different formulae to satisfy their bank backers.

With ever larger sums being sucked into relatively short-term, low-risk management buy-outs it is more than ever essential that the venture capital industry paints a convincing picture of the returns available from the earlier stage, the more genuinely venturesome activities.

"The UK venture capital industry has had several consecutive years of sustained growth," said Venture Economics, a leading venture capital research group, in a recent study.* "Investors are now looking for firm evidence that their performance expectations will be met."

The venture capitalists are torn between the need to adopt prudent accounting principles which do not overstate the value of their investments and the temptation to paint as rosy a picture as possible for their investors. The more thoughtful venture capitalists are reluctant to jump to early valuations of their portfolios since the two or three businesses which finally provide the big pay-off may rank among the laggards in the early stages.

The result is that the annual rates of return published by many venture funds are not really very meaningful since usually no clear indication is given of how the figures are arrived at, Venture Economics warns.

"Without a detailed description of the valuation methods used, and the time periods to which the figures relate, such figures can be very misleading," the study adds.

The British Venture Capital Association, which groups most funds, earlier this year issued a set of guidelines on valuations.

Investments in quoted companies, which many venture capital organisations retain after flotation, should be valued at the closing mid-market price on the venture fund's balance sheet date, the guidelines suggest.

But even with quoted securities a problem arises with shares which are not widely traded or where there are restrictions on the sale of the shares. The guidelines recommend that discounts should be applied in these instances though it does not suggest how large they should be.

But it is in dealing with unquoted stocks that the real problems arise. The association suggests such investments should be valued at cost. The exceptions would be if the business had run into such difficulties that it needed be written down; if an outside investor had bought a significant proportion of the shares in an arms-length transaction, in which case the business can be valued at that level; or if the investee company was performing so well that continuing to value it at cost or in relation to an outdated third party transaction no longer made sense. In the last case the investment should be valued by the independent directors or investment advisers.

Finally the association suggests the portfolio as a whole should be reviewed to see whether provisions are called for to reflect exposure to a particular industry or region or to adverse exchange rate movements.

Even if the association's 100-plus members could agree to implement these methods of valuation there are still large areas where subjective judgements are called for in applying the guidelines.

Mr Dick Onians, chief executive of Baring Brothers Hambrecht & Quist (BBHQ), says he values investments at cost unless there is a good reason not to.

If BBHQ decides a company's earnings potential is lower than previously thought or that the risks are higher, it will write the investment down in stages of 25 per cent, even if the investment is only 10 per cent less attractive than before.

Upward revaluations are only made if BBHQ has a reputable offer in writing for its holding or for the entire business at a set price, or a significant amount of new money - at least 10 per cent of the shares in issue - has been provided by one or more new investors.

ECI Ventures, another independent fund, also values its investments at cost, upvaluing only after a significant arms-length transaction or if the investee company has a specific slot for a market listing and where a broker has put his name to a price range. In such cases ECI takes the lower end of the price range and knocks a further 25 per cent off for lack of marketability.

3i, Britain's largest venture capital group adopts very different valuation policies, partly reflecting the fact that it is owned by the banks.

It compares its larger investments — those worth over £1m — with the earnings of similar listed companies; discounts heavily depending on the period until sale or flotation; and corrects again to take into account the view of its managers who have made the investment.

Despite the differences between the valuation policies of BBHQ, ECI and 3i, all three organisations describe their policies as conservative. Less conservative were the procedures adopted by some of the 37 funds reviewed by Venture Economics.

Its study showed that half of the funds polled revalued investments on the basis of financing rounds which were not wholly arms-length. Those funds which wrote down their investments to below cost generally did so on an arbitrary basis, while many funds were not rigorous in applying discounts if there were restrictions on the trading of quoted securities.

Charles Batchelor

* *Venture Capital Valuation Methods: Towards A Common Standard; £195.50; from Venture Economics Ltd, 14 Barley Mow Passage, London, W4 4PH.*

Companies by focus and type

	Ind	Cap	Affil	Pub/sec	Total	%
Broad-based	9	18	2	0	29	27.1
Technology/early stage	24	3	2	0	29	27.1
Later stage/buy-out	5	19	3	0	27	25.2
Regional	7	4	0	4	15	14.0
BES only	1	3	3	0	7	6.6
Total	46	47	10	4	107	100

Ind: Independent companies
Cap: Captive groups (part of bigger groups, eg pension funds)
Affil: As above but which function as separate entities
Pub/sec: Groups within local authority or govt funded agencies

Source: UK Venture Capital Journal

Charles Batchelor on bringing together ideas and individuals

Mergers of convenience

TAKE THE lift down to the basement of the offices of Schroder Ventures in London's Covent Garden and you will see, stacked away in ranks of filing cabinets which line the walls, the commercial dreams of several thousand would-be entrepreneurs. Schroders keeps in store the rejected business plans of the people who have come to it for backing.

Most of the plans which come in take the form of fairly thick loose-leaf folders. Occasionally they come in on floppy disk. The advent of simple spreadsheet software and the enthusiasm of the accountants for detailed forecasts means many business proposals which come to venture capitalists are in fairly indigestible form.

One businessman has sent Schroders a floppy disk which is incompatible with the company's computers. Some business plans are long on inconsequential detail but short on essential information about the people behind the proposal or the market they plan to enter.

"We like people to write something down, even if it is only a two page list of questions to show they have thought the proposal through," says Mr Peter Smitham, a Schroders partner.

"We don't want them to spend six months getting their accountants to draw up a 100-page business plan. It will be a sanitised version of their ideas and won't let us see the man who is behind it. What we look for is personal motivation, intellect and ability."

At Schroders, as at many of the other 120 or so venture capital groups in Britain, Monday morning is spent reviewing the state of the several dozen deals in which it is involved or considering.

Separate teams review buy-outs and earlier stage financings, classifying them according to whether the deal is active, passive or dead.

With no shortage of funds available for investment the problem for venture capitalists is to find the deal which fits their area of expertise or interest and which can match their high performance expectations. For entrepreneurs the challenge is to get their business proposal to the top of the pile.

Apart from looking for a business plan which is easily understood the venture capitalist seeks several features in the proposal put to him. Outside the high-technology field, where an individual may have unique knowledge of a product or a process, the entrepreneur must be able to show he or she has management experience.

"We don't expect them to be able to do everything and we don't expect them always to have succeeded," says Mr Smitham. "What we are looking for is a match between the idea and the individual."

One unsuccessful proposal put to Schroders involved the design of a new engine, despite the fact that the man behind the idea had no experience in this field. Another would-be entrepreneur suggested making a piece of electronic equipment which involved competing with the giants of the electronic industry in volume manufacturing.

If business people have skills in the financial or production areas but lack knowledge of marketing the venture capitalist may put them together with a partner or partners who can fill the skills gaps. A common weakness, though, of business proposals put forward by engineers is their failure to understand the need for marketing or financial expertise.

"They tell me these areas are just common sense," Mr Smitham says. "I point out to them the thick volumes on my bookshelves on these subjects and ask them if so much could be written if it were just common sense."

Some proposals, however sound, may simply fail to meet the venture capitalist's requirement for very rapid growth. To achieve the high returns – typically 30-40 per cent a year – that their investors expect, most venture capitalists limit their investments to the real high flyers. The business must be capable of growing fast enough to be ready for sale or flotation in three to seven years.

Entrepreneurs and venture capitalists frequently fall out over the valuation of the business. Venture capitalists claim business people are unrealistic in their estimates while the entrepreneurs counter that they are being asked to sign over too large a share of their equity too cheaply.

Schroders has been looking at one deal which it values at £2m but which the entrepreneur thinks is worth £10m. Valuing a start-up is particularly difficult since there is no trading record on which to judge it.

When it comes to buy-outs, though, the venture capitalist can frequently help the buy-out managers negotiate a better price from the owners of the business.

"It is difficult for managers to disparage their own business in negotiations," notes Mr Barry Minton, another Schroders partner. "On one deal we pointed out the weaknesses of the business to the owner. When he had left the managers asked us why we wanted to help them if the position was so bad."

As the venture capital industry has grown and dozens of new funds have been set up, it has become increasingly difficult for the entrepreneur to know where to turn for help. Many business people still assume all venture capital groups are the same and that all they have to offer is money, Mr Minton says.

Those who do appreciate that venture capitalists value their expertise more highly than their money are still a small minority. But a small number of entrepreneurs is selective and does demand to know what a particular venture group can do for them, he says.

"We don't expect would-be clients to be able to do everything nor to have always succeeded"

The difficulty the business person has in finding the right venture capitalist has led to the growth in Britain of venture brokers, small teams of consultants who will help the entrepreneur find a suitable backer and advise on how best to present a business plan.

"We have identified about 30 broking teams set up by ex-merchant bankers, accountants and lawyers," says Mr Tony Lorenz, managing director of ECI Ventures. "We expect them to be an important source of deals in future."

"We save the time of both the entrepreneurs and the venture capital funds," says Mr John Clarke, managing director of City Venture Brokers. "We can put the entrepreneur in touch with the right fund and reduce the stress of fund-raising."

City Venture Brokers says that it helps entrepreneurs to draw up an acceptable business plan, typically of between 12 and 20 pages, with a two page summary which is sent to half a dozen venture capitalists.

Its consultants rehearse business people in the presentation of the plan so they put over their message clearly and succinctly. The problem with some of the accountants who help entrepreneurs draw up their plans is that they take over the process, Mr Clarke says.

Accountants may be reluctant to be critical of unworkable plans because they want to protect their audit relationship with their client, he claims.

It is up to the entrepreneur to decide whether a service of this kind is worth the fee. City Venture Brokers says it charges 5 per cent of the value of the deal and takes an option on between two and 5 per cent of the equity. If the broker can prevent the business plan from ending up in the venture capitalist's basement file the entrepreneur might agree this was money well spent.

Profile: London Truckshop

A fund drive that paid off

MERCHANT BANKERS, venture capitalists and accountants are unlikely to be familiar with the habits and tastes of Britain's long distance lorry drivers.

Perhaps it was this factor that made it so difficult for London Truckshop to find seed capital – or maybe it was just another example of the notorious difficulties of raising start-up finance.

The idea was relatively straightforward – to build a "truckstop" at West Thurrock in Essex – a collection of fuelling facilities, restaurants, a cinema and a motel, that would represent a quantum leap in the quality of services provided to lorry drivers. Now that the money has actually been raised, other facilities will include repair services, the sale of tyres and accessories, fax and telex facilities, secure parking and freight forwarding agents.

In the US there are many such truckstops; in the UK, Mr Andrew Wilson, the company's managing director, found only institutional incredulity. Few expressed any willingness to back a concept that could spell the end to the greasy spoon cafe as we know it. "It was extremely time-consuming and difficult to raise the equity capital," recalls Mr Wilson, a former managing director of an oil exploration company.

"Not only did we have to prove that the concept would work, with reference to hard evidence such as traffic flows as well as a more subjective assessment of whether truck-drivers would like it, but also that the project would provide the required rate of return.

"We were up against the fact that most of the money belonging to so-called venture capitalists was available only to finance management buy-outs or expansion of existing businesses. There appeared to be a great deal of competition for a very limited amount of money."

In the event, with the help of County NatWest Venture, a £5m financing package was put together. The finance raised was a mixture of equity and debt funding, coming from three distinct sources apart from the management itself.

A syndicate of four institutions (Sumit, Grosvenor Venture Managers and Causeway Capital) put up £1.4m in the form of convertible cumulative participating redeemable preferred ordinary shares; Société Générale merchant bank put up £2.5m of project finance; and Mobil Oil helped with a mixture of grants and loans of both cash and equipment in return for the right to service the site with its own products for 10 years.

It is a complicated package, with each every party to it aware that the project would fall flat without the participation of the other parties. In order to avoid any unnecessary risks and to keep each participant happy, there was a simultaneous signing. The first truckstop is scheduled to be opened in late summer 1989.

Mobil's involvement in the project is obviously unique to a project of this nature. The oil company has made a straight cash grant of £300,000, has loaned equipment for the garage forecourt and the credit-card driven equipment used in the so-called Mobil Diesel Club arrangement. On top of that, there is a £250,000 10 year loan, repayable over the second five years and bearing a low interest rate.

The £2.5m from Société Générale, a French bank, is a five year term loan with a drawdown period of one year during which the interest arising while the site is being constructed is capitalised and repaid later. The loan bears interest at a fixed rate above Libor.

The equity element, divided equally between the four institutions, will give them somewhere between 40-70 per cent of the company's equity capital: there are various ratchet mechanisms to determine the exact amount depending on the company's performance.

The first site is located at the end of the Dartford tunnel in south east London, and would appear to be an ideal place for a truckstop. "There are lorries everywhere," observed Mr Keith White, a director of CNWV in Birmingham. Near the Ford truck plant in Dagenham, Essex, the site is encircled by a plethora of distribution businesses.

"It was difficult to get hard evidence as to whether the drivers would like it," he recalls.

Trades unions were contacted and drivers interviewed as to whether they would willingly forsake the traditional cafe and the bed in the back of the cab in favour of a motel, videos and snooker.

If the first truckstop is successful, there are plans to extend the concept to other sites in the UK. And by then, it will presumably be less difficult to attract the institutional investor.

David Waller

Profile: Oros Systems

Spin-out's tough birth

RAISING MONEY for a start-up is difficult at the best of times; in the case of Oros Systems, the fund-raising exercise was complicated by the very complexity of the company's products and by the scale of the financing required.

Based in Slough, Oros Systems was founded two years ago as a "spin-out" from deep within Celltech, a leading UK biotechnology company. Backed by international venture capital groups, Oros raised no less than $5m in March last year in what it claims to be the largest biotechnology start-up in Europe to date.

Five young scientists, motivated by what they describe as the "classic entrepreneurial desire to run a company", decided to leave the parent company and set up on their own in an area related to – but not in competition with – Celltech's own activities.

Every day, in the laboratories run by pharmaceutical companies, technicians are obliged to settle down to the time-consuming and tedious job of obtaining pure samples of proteins and other complex compounds from chemical mixtures. The Oros plan was to combine expertise in artificial intelligence, chemical engineering and biotechnology to develop equipment that would dramatically reduce the amount of time and work required to perform such tests.

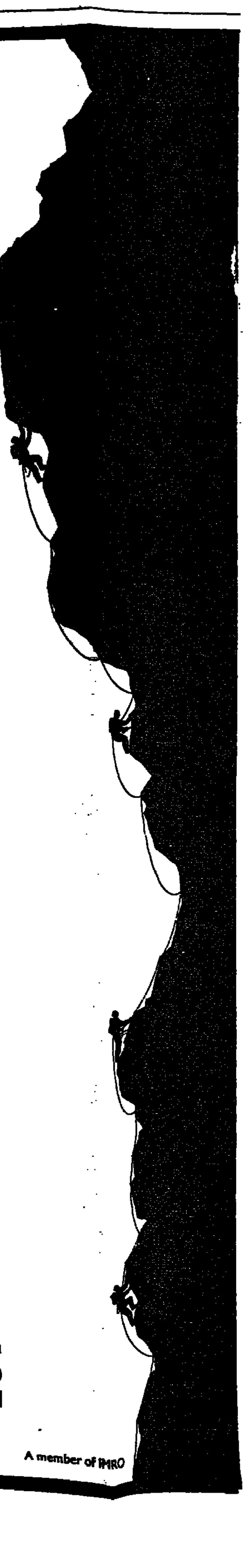
Mr Glyn Edwards, managing director of Oros, claims that the first of the company's products to reach the market, the $100,000 (£55,300) MabLab cuts the time taken by some jobs from days, or even weeks, to a few hours. "The equipment can be operated by a school-leaver, not just someone with a doctorate in chemistry," he adds.

If the end result of such products is greater simplicity and understanding, it is obvious that the synthesis of chemical engineering, sensor technology and computing that went into its design proved far from comprehensible to the average venture capitalist.

The five principals of Oros had to battle their way through a fog of misunderstanding; investors' initial reluctance to commit themselves to the project was compounded by the company's desire to raise $5m in start-up capital, rather than a tranche of cash in the £50,000 to £250,000 bracket.

Investors were reluctant to invest that much cash in an industry with which they were wholly unfamiliar, but Oros

Continued on Page 6



The US sector remains in buoyant mood, reports **Nancy Dunne**

A case of too much money

FOR YEARS now US venture capitalists have worried that their burgeoning industry will become a casualty of its own success. They have envisioned a deluge of dollars, feverishly flowing toward the best potential deals, bidding up the cost of potential investments.

In fact, Fortune magazine announced the arrival of that long-feared era earlier this month in an article entitled *A Case of Too Much Money*.

"A decade ago, before regulatory changes and a new tolerance for risk brought big institutional investors into the business, venture firms had about $2.5bn at their disposal," Fortune reported.

"Now they control over $30bn, far more than the combined capital of the seven biggest US investment banking houses, whose interests are much broader. The torrent of money shows little hint of letting up."

The competition for investments has not discouraged Mr Raymond Held, president of Abbott Capital Management, a New York intermediary company which selects venture capital and leveraged buyout (LBO) funds for investor clients. Returns have dropped, he says, from about 25-30 per cent in the past decade to about 15-20 per cent. LBOs have usually produced higher returns.

"Our job is to be very selective," he says. "We look for groups that have experienced various economic cycles who know how to advise their companies through ups and downs of the economic environment."

He searches out investments in a broad spectrum of industries and areas, and has begun to put funds into leveraged buyouts of small and medium-sized companies first – provided that the takeovers are friendly.

In the industry as a whole, only about 6 per cent of the financing last year went on LBOs; 38 per cent for early stage projects and 48 per cent for second and later stage expansions.

Mr Held likes to cite Queen Isabella and King Ferdinand as the first known venture capitalists. "In this business you have to have a long-term prospective. Our partnerships generally last 10 years, and the early returns are usually minimal."

The modern era of the US venture capital industry was launched after the Second World War, when wealthy families began to invest in promising new projects. It grew slowly, attracting ever more investors until the late 1970s. A key ruling from the US Labour Department in 1978, declaring venture capital pools "prudent" investments for pension funds, spurred a surge of new money.

At around the same time, the equity markets began to perform well again. Young companies launched with venture capital – like Tandem Computers and Apple Computer – went public and flourished. Investors saw the potential and began to hunt for their own gushers.

As the number of partnerships grew to finance entrepreneurs, so too did the need for intermediaries, like Abbott, which sorts through the possibilities for large individual and institutional investors. A recent development has been the "fund of funds" which pools clients' money and spreads it among several venture partnerships.

The diversification of the investments accounts for the industry's healthy returns. Although many of the entrepreneurs founder, there are enough lucrative hits to more than compensate for the losses.

The stock market collapse last year bears some responsibility for the surge of new dollars into the industry, according to Mr Clinton Harris, vice president of Advent International Corporation, the world's largest international venture capital network.

"The crash scared a lot of institutional investors from the stock market and created a flood of money into our industry," he said. "There's so much of it out there, we are now competing with each other."

Even more troubling, investor jitters have virtually shut down the new public offerings market, which was a lucrative means of liquidating 10 year venture partnerships. Last year the number of venture-backed initial public offerings fell from 98 to 81.

Pension funds now perform as the industry's single largest source of capital, although each one rarely puts more than 3-5 per cent of its holdings into venture capital, according to Mr Stephen Piper, an associate with Venture Economics, the industry's research group and think-tank.

In 1987 venture capital funds raised $4.2bn with pension schemes providing 39 per cent of the capital, up from 31 per cent in 1983. Well behind the pension schemes last year were the insurance companies contributing 15 per cent; foreign investors with 13 per cent; individuals and families 12 per cent; corporations 11 per cent; and endowments/foundations 10 per cent.

While private investment has soared, government grants made through the Small Business Administration to leverage private money, have plummeted. Last year the industry raised almost $23bn through private funds; almost $4bn from corporate subsidiaries, and only $2.3bn of government money.

Increasingly, the industry has been moving away from investment in computer hardware holdings in favour of consumer-related products and health care. However, one of the industry's pioneers, Mr Peter Brooke, sees a bright future for technology-based companies which can compete globally and move new products quickly.

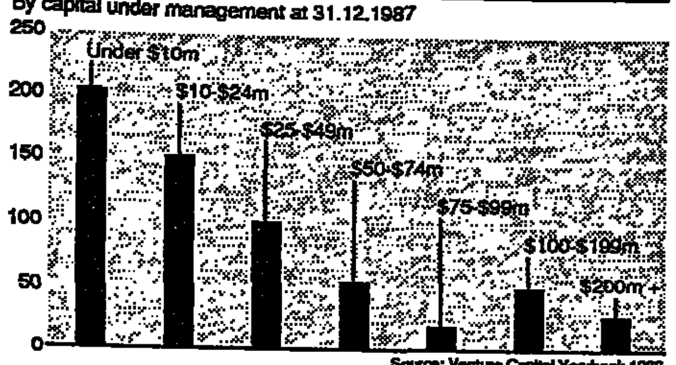
In 1985 Mr Brooke launched Advent International, a worldwide network of 14 venture companies, operating in 16 countries with more than $1bn in capital.

One recent investment in a new generation of French made technology for breaking down kidney stones was identified by the group's partner in Singapore. After the German partners had evaluated the technology, several of the partners took equity stakes in the company; the Japanese partner introduced the products into the Japanese market, where sales are on target; and the US management team is ushering through the Federal Drug Administration approval process for the US launch.

Advent partners believe they can generate the same kind of profits the industry enjoyed in the past, says Mr Harris. "Going international has allowed us to go out and compete for the best opportunities."

US venture capital companies

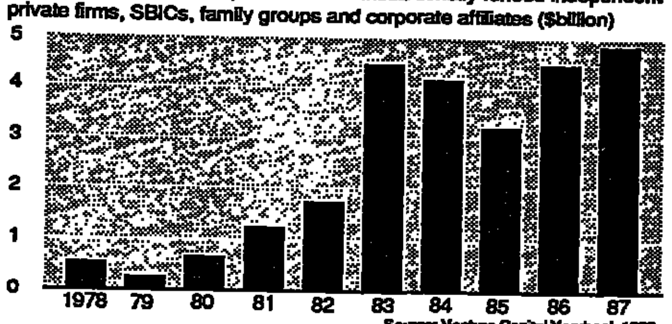
By capital under management at 31.12.1987



Source: Venture Capital Yearbook 1988

Net new capital

Committed to venture capital funds inc institutionally funded independent private firms, SBICs, family groups and corporate affiliates ($billion)



Source: Venture Capital Yearbook 1988

WEST GERMANY

Sector still finding its feet

FOR PEOPLE who should be out touting for business, many of West Germany's slowly growing band of venture capitalists keep a determinedly low profile.

"The mentality of keeping things quiet is still very appropriate in Germany," says Mr Max Roemer, who runs Citicorp Venture Capital from the bank's Frankfurt headquarters. "In Germany, there is the saying: one doesn't talk about money, one has it."

Just as with the many mergers and acquisition deals and management buy-outs, venture capital transactions tend not to be published. And in a business where failures are common, many of the practitioners prefer to remain silent about their clients' track records, especially when they themselves are still finding their feet.

Some important distinctions can be made about German venture capital, even in its relative youth. The first is that in its "riskiest" sense of seed finance, this is still a small field in which big institutions, such as the banks, have held back.

In December last year, 14 companies got together to form the Deutscher Venture Capital Verband (German Venture Capital Association), a flourishing centre for venture capital in Germany, run from Berlin by Mr Werner Weber.

However, of the members, only two are directly related to major banks. In other cases, the link is not obvious. Deutsche Bank has a 40 per cent stake in VC-Gesellschaft für Innovation, also Berlin-based, with two smaller banks holding the remainder. The company, set up in 1983, has so far invested about half the DM20m at its disposal, with projects in Berlin taking pride of place, according to its head, Mr Dietmar Gruener.

Some other big banks have also taken stakes in venture capital funds. But all have tended to be reluctant to give their names a star billing. Too close an association with failure is still a sensitive issue for many of the big publicly-quoted financial institutions.

Mr Gruener thinks the problem is partly structural. Germany lacks the broad layer of merchant or investment banks that exist in the UK and US. Such houses have often been among the keenest promoters of venture capital in their home markets.

The big German banks are much more active when it comes to the less risky business of providing expansion and replacement finance to already-going concerns.

Expansion finance is dominated by the Kapitalbeteiligungsgesellschaft (KBG) in Germany. Such companies, which literally translated mean "capital participation company", have been established by many banks, and, more recently, insurers since the mid-1960s.

In the past, financial assistance tended to take the form of debt, either at a risk-related rate of interest or at a slightly lower rate, topped up by a profit-related supplement.

In recent years, equity has played a bigger part. It has mushroomed under the Unternehmensbeteiligungsgesellschaft (UBGG), a hybrid form of KBG, which has been set up by an increasing number of banks and insurers following a change in the stock exchange law in January 1987.

As with KBGs, the rationale for a UBGG is to provide expansion rather than seed capital. But the difference is that UBGGs are entitled to substantial tax breaks if they can fulfil certain investment and growth criteria, the most important of which concern the number and size of its investments and the fact that it should float 40 per cent of its ordinary shares within 10 years of being set up.

Last February, the KBGs set up their own association, the Bundesverbandes deutscher Kapitalbeteiligungsgesellschaften (BVK). The group already has links with the DVCV, and there are suggestions they should merge.

Whether that will happen remains uncertain. Despite the similarities between them, there are strong differences in aims and membership. The DVCV tends to be more international; the BVK more domestically-oriented.

The DVCV has already set up four working groups to discuss points such as exit rules for investments and the use of state subsidies with the government. "The aim is to see whether existing legislation is adequate, whether new laws should be passed or whether it's just a question of using the existing laws more effectively," says one member.

Both Munich-based Techno Venture Management (TVM) and International Venture Capital Partners (IVCP), two sizeable funds with a wider investor base, jostle for the accolade of being the pioneer of the German venture capital business.

TVM now has some DM166m under management, of which DM110m has been invested. Among its backers are major companies like Daimler-Benz, Siemens, Deutsche Bank and the Matuschka group, as well as some foreign investors. Of its 60 investments in Germany and other countries to date, 10 have already been sold off, according to its manager, Mr Constantin von Dziembowski.

IVCP, set up in 1983, was the first of what has become a family of venture capital funds handled by Genes, a Cologne-based partnership. It has now invested some DM30m of the DM40m put at its disposal by a group of mainly foreign institutions.

Genes has followed up with two further funds, Euroventures Deutschland, which has German companies like Deutsche Philips, Dresdner Bank and Bosch as its backers, and Euroventures Germany, which is aimed at international backers and which invests largely, but not exclusively, in Germany. Run together, the funds have so far invested about DM17m of the DM65m at their disposal, Mr Kuehr says.

He believes the sector today is barely recognisable from the landscape just five years ago. Looking back, "it has all taken a long time, but the signs are positive," he says. Nevertheless, "we still need more capital and competition; that way we create new projects."

Haig Simonian

Tough spin-out

Continued from page 5

argued that the opportunity for developing their product would disappear unless they could raise the higher sum straight away, rather than in two tranches. Furthermore, they wanted to concentrate their resources on the operational side of the business and had no desire to be distracted by the necessity of raising a second slug of equity after just six months.

"We wasted an awful lot of time trawling through a great long list of venture capitalists," Edwards recalls. Many institutions told us that they would be prepared to come aboard only if the whole deal were underwritten by a lead investor; many more told us that in seeking $5m, we were being over-optimistic. We were absolutely adamant that this is how we wanted to play it."

In the end, they whittled the list down to those who had some understanding of the biotechnology world, and were thus in a position to appraise the project – which at this stage was little more than a business plan crammed full of rather complicated words, backed-up by five clever people.

It was also important, given the risks associated with start-ups of every variety, that the investment in Oros represented no more than a small proportion of the fund's assets.

The financing package was put together by Advent, a London-based affiliate of the Advent International network and a specialist in hi-tech investments. The deal itself was straightforward: Advent, together with two other institutions – Biotechnology Investments (a fund advised by N M Rothschilds Asset Management) and Thompson Clive & Partners – put in approximately £1m each.

This gives the institutions a total of 33 per cent of the company's equity, subject to a ratchet mechanism depending on the amount they raise when the investment is liquidated – either in the event of a sale of Oros to another company or flotation on the London stock market. Celltech itself retains 4 per cent of the equity.

The institutions have provided more than just finance. Each of the three funds is represented on the Oros board. Advent and Biotechnology Investments are expected to generate ideas, business contacts and non-executive directors, whereas Thompson Clive's duty is to ask pragmatic questions about internal matters such as cash-flow.

"By looking inwards, and asking us awkward questions, they provide the ideal counterweight to the other investors whose job it is to look outwards for new opportunities," Edwards says.

David Waller

European venture capital sources

Listed below are details of leading fund sources from 12 European countries compiled by Peat Marwick McLintock. Details of UK venture capital sources are listed on the following page. The key is on page 8.

James Andrews on Japan's cautious fund managers

Once bitten, twice shy

JAPANESE VENTURE capitalists have learned the hard way that theirs is a boom and bust business. Both their early 1970s and early 1980s booms went bust.

However, the sector still boasts more than 20 venture capital companies. The outstanding stock of Japanese venture capital investment is forecast to reach Y275bn by the end of March 1989, according to Nikkei Venture, a trade newspaper. At the end March, the total stood at Y240.6bn.

Japan's venture capital funds are conservative compared with their US and European counterparts. Instead of supporting start-ups, they wait to see if a company can survive its first two years before backing it. One reason for this is that venture capital funds are mostly affiliates of securities houses or banks. Venture capitalism is seen as a way of enhancing their corporate finance business.

What they are looking for among young companies is those with the potential to be taken public or to be sold to one of their established big company clients, providing the parent securities house or bank with easy fees.

It was only after the over-the-counter stock market was liberalised in 1983 that venture capitalism really started to take off. Nine of the 10 biggest venture capital funds were started since 1982. Only the industry leader, Japan Associated Finance (Jafco), part of the Nomura Securities empire, dates back to the early 1970s.

It was a rush to market in the early 1980s that proved the undoing of the most recent boom. Mimicking US venture capitalists, Japanese funds rushed to find new high-tech companies just as such businesses were hit by competition from the existing industry giants.

About 60 companies backed by venture capitalists went to the wall or near it. To avoid a repeat this time round, venture capitalists are turning to less technologically-based and less risky service industries.

Many funds say that half their new investment is now going into service industries, and that the proportion will rise. Japanese investors do not seem worried that the consequence of lower risk investments will be lower returns. Japanese venture capital funds have typically generated a rate of return 40 per cent lower than that of US funds.

Investment abroad is becoming an increasingly popular option. In the US the Japanese presence remains small. Of the $4 billion raised for venture capital there last year, foreigners accounted for only an estimated $600m. The Japanese accounted for an estimated 12.5 per cent share of the total.

The UK is seen as the springboard to the European market, especially in the run-up to the creation of the single market in 1992. Jafco recently launched a Y3bn-Y5bn European fund, while Nippon Investment and Finance, part of Daiwa Securities, one of Japan's big four securities groups, has invested Y1.2bn in four UK high-tech companies.

FUND MANAGERS	Range of individual investments considered Min	Max	Start-ups	Development	Replacement	Man buy-out	Rescue	Terms of Funding	Telephone
BELGIUM (All figures in BF'000s)									
Advent Belgium	10,000	35,000	Y	Y	Y	Y	N	(*)	27207007
Benevent Managements N.V.	10,000	30,000	Y	Y	Y	Y	Y	2-7 years	27251440
Euroventures Benelux B.V.	500	15,000	Y	Y	Y	Y	Y	(*)	27251838
Investco N.V.	5,000	Open	Y	Y	Y	Y	Y	2-7 years	25134520
Investment Co. for Flanders (G.I.M.V.)	3,000	140,000	Y	Y	P	Y	Y	7-10 years	32338383
ISEP N.V.	5,000	50,000	Y	Y	Y	Y	P	5-10 years	27349909
Prominvest S.A.	20,000	150,000	Y	Y	Y	Y	Y	3-7 years	25172872
Societe Regionale D'Investissement De Wallonie (S.R.I.W.)	25,000	Open	Y	Y	N	Y	Y	(*)	81322211
DENMARK (All figures in DKR'000s)									
Danventure Invest A/S	3,000	50,000	Y	Y	Y	Y	Y	5-10 years	45-2-681568
Inventure A/S	2,000	30,000	N	Y	Y	Y	N	3-8 years	45-1-620171
Dansk Kapitalanlaeg A/S	500	25,000	N	Y	Y	Y	N	5-10 years	45-1-157031
Dansk Erhvervsinvestering A/S	100	22,000	Y	Y	Y	Y	N	3-5 years	45-1-143242
AKF	200	20,000	Y	Y	Y	Y	Y	3-4 years	45-1-312262
FRANCE (All figures in FF'000s)									
Alan Patricof Associes	2,000	30,000	Y	Y	N	Y	Y	3-7 years	145630378
Banexi	2,000	Open	Y	Y	Y	Y	N	5-7 years	140144065
Charterhouse Expansion	1,000	10,000	Y	Y	(*)	Y	N	variable	147235233
Citicorp Venture Capital S.A.	5,000	Open	Y	Y	Y	Y	N	2-10 years	149061010
Finovelec	1,000	4,000	Y	Y	N	N	N	6-7 years	140144065
La Compagnie Financiere Du Scribe	1,000	10,000	Y	Y	N	Y	N	2-10 years	147428028
La Compagnie Financiere, Edmond De Rothschild Group	1,000	5,000	N	Y	Y	Y	Y	2-7 years	140172525
Natio Innovation	500	2,000	Y	Y	N	Y	N	6-7 years	140144065
Paribas Technology France S.A.	1,000	Open	Y	Y	Y	Y	Y	2-7 years	142981944
Siparex	1,000	15,000	N	Y	Y	N	N	Not Determined Ahead	178524107
Sofinnova S.A.	1,000	10,000	Y	Y	Y	Y	N	2-5 years	142806870
Soginnove S.A.	1,000	5,000	Y	Y	N	N	N	5 years	147427060
Suez Ventures	1,000	8,000	Y	Y	Y	Y	N	5-7 years	140066400
Thomson CSF Ventures	1,000	Open	Y	Y	Y	Y	Y	Flexible	145619600
GERMANY (All figures in DM'000s)									
BBHO Baring Brothers Hambrecht & Quist	200	3,000	Y	Y	Y	Y	N	10	695975061
Genes GmbH Venture Services	250	1,000	Y	Y	N	Y	N	(*)	22345907679
IDP Industrial Development Partners GmbH & Co	500	3,000	Y	Y	Y	Y	Y	(*)	61744017
3i Gesellschaft fur Industriebeteiligungen mbH	1,000	Open	N	Y	N	Y	N	Open	69740635
KBG Kapitalbeteiligungsgesellschaft mbH Berlin	200	1,500	Y	Y	Y	Y	N	5-10 years	308610251
Neu-Europa Hitec & Biotec Gesellschaft fur Innovationen mbH & Co	500	7,000	Y	Y	Y	Y	Y	Flexible	308842930
TIG-Technologie Investitions GmbH & Co	0	2,000	Y	Y	N	Y	Y	2-7 years	308827201
TVM Techno Venture Management GmbH & Co	500	8,000	Y	Y	Y	Y	N	2-7 years	895587902
WFG Deutsche Gesellschaft fur Wagniskapital mbH	250	1,500	Y	Y	Y	Y	Y	2-7 years	69710040
VC-Gesellschaft fur Innovation mbH Berlin	200	2,000	Y	Y	Y	Y	Y	2-7 years	308822420
GREECE (All figures in DR'000s)									
Hellenic Organisation for Small & Medium Sized Industries & Handicrafts	0	40,000	Y	Y	N	N	N	15 years Max	7799926
Lybian Greece Investment Co (Libeco) A.E.	100,000	300,000	Y	Y	N	N	N	Flexible	9588613
National Investment Bank for Industrial Development (NIBID) A.E.	0	200,000	Y	Y	Y	Y	N	15 years Max	3242651

FUND MANAGERS	Range of individual investments considered Min	Max	Start-ups	Development	Replacement	Man buy-out	Rescue	Terms of Funding	Telephone
IRELAND (All figures in IR£'000s)									
Allied Irish Investment Bank PLC	50	4,000	Y	Y	Y	Y	Y	2-7 years	1604733
Development Capital Corporation Ltd	250	5,000	Y	Y	Y	Y	Y	(*)	1831011
ICC Corporate Finance Limited	50	2,000	Y	Y	Y	Y	(*)	5-10 years	1720055
The National Development Corporation Ltd	50	2,000	Y	Y	Y	Y	N	3-8 years	1600611
ITALY (All figures in IL'000,000s)									
Credipar Finanziaria Di Partecipazioni SpA.	1,000	15,000	Y	Y	N	Y	Y	2-6 years	64575851
Eurovenca SpA.	550	2,000	Y	Y	Y	Y	Y	7-10 years	116502665
Finnova SpA.	200	2,000	Y	Y	N	Y	N	2-5 years	26596221
SO.FI.PA (Societa Finanziaria Di Partecipazione SpA.)	250	6,000	Y	Y	Y	Y	Y	2-5 years	68440641
Tianguis Ltd	250	1,000	Y	Y	(*)	Y	(*)	5-7 years	2700354
LUXEMBOURG (All figures in DM'000s)									
International Venture Capital Holding Partners S.A.	500	1,500	Y	Y	Y	Y	Y	2-7 Years	0352489428
NETHERLANDS (All figures in FL'000s)									
Atlas Venture Beheer B.V.	0	8,000	Y	Y	(*)	Y	Y	Flexible	20973131
De Nationale Investeringsbank N.V.	1,000	Open	Y	Y	(*)	Y	Y	Flexible	70425425
Euroventures Benelux B.V.	500	15,000	Y	Y	(*)	Y	(*)	7-10 years	73408243
Gilde Venture Fund B.V.	250	5,000	Y	Y	Y	Y	Y	(*)	30510534
Holland Venture Holdings C.V.	200	4,000	Y	Y	(*)	Y	(*)	(*)	20991111
Investeringen Oranje Nassau B.V.	500	10,000	Y	Y	(*)	Y	(*)	6-8 years	70469670
Maatschappij voor Industriele Projecten (MIP Equity Fund)	1,000	10,000	Y	Y	(*)	(*)	(*)	3-5 years	70469265
NeSBIC B.V.	50	4,000	Y	Y	Y	Y	Y	0-10 years	20250915
NORO Venture B.V.	0	20,000	Y	Y	(*)	(*)	(*)	4-7 years	33321824
Venture Fund Rotterdam B.V.	0	5,000	N	(*)	(*)	(*)	(*)	Flexible	10143444
PORTUGAL (All figures in ESC'000s)									
Capitair, SA	2,500	50,000	Y	Y	Y	Y	Y	Flexible	01730019
CISF-Companhiade Capital de Risco, SA	5,000	60,000	Y	Y	Y	Y	Y	Flexible	01775615
Nor-Risco, Capitalde Risco, SA	0	100,000	Y	Y	Y	Y	Y	Flexible	02668660
Promindustria-Sociedade Portuguesade Capitalde Risco, SA	5,000	100,000	Y	Y	Y	Y	Y	Flexible	01533516
SFIR-Sociedade Financiamentoe Investimento de Risco, SA	10,000	60,000	Y	Y	Y	Y	Y	Flexible	01690619
SPR-Sociedade Portugesa de Capital de Risco, SA	0	150,000	Y	Y	Y	Y	Y	Flexible	02667165
SPAIN (All figures in PTS'000s)									
BBG-Gestora Invewrsories Bancobao SA	10,000	200,000	Y	Y	Y	Y	Y	(*)	3414580285
Euroventures Espana	50,000	350,000	Y	Y	Y	Y	N	4-6 years	3414573558
Sefinnova SA	5,000	(*)	Y	Y	Y	Y	Y	(*)	3414111106
Sociedad Bancaya De Promocion Empresarial SA	0	100,000	Y	Y	N	N	N	Flexible	3414113111
Sociedad Gestora De Fomento Empresarial SA	30,000	300,000	Y	Y	Y	Y	Y	Flexible	3414353590
SWITZERLAND (All figures in SFR'000s)									
Baring Brothers Hambrecht & Quist	85	3,350	Y	Y	Y	Y	Y	5-7 years	22464855
Euroventures Genevest Management S.A.	250	1,500	Y	Y	Y	Y	(*)	5-7 Years	22435005
Groupement Pour La Promotion Du Capital Risque	250	5,000	Y	Y	N	Y	N	5-7 years	21277291
Venture Associates S.A.	100	1,000	Y	Y	N	Y	N	2-7 years	37231912

(*) – Information not available.

Barbara C[illegible]assus reports on a good year for LBOs in France

Sur[p]lus funds aid growth

PLENTIFUL CASH [illegible] acquisitions fever ha[s] [com]bined to revolution[ise the] French venture capital [indus]try over the past year.

Outside funds rais[ed by] members of the Fren[ch Ven]ture Capital Asso[ciation] (AFIC) rose from ju[st] FFr1bn in 1986 to [over] FFr1.5bn in 1987, and wi[ll prob]ably total some FFr2[bn this] year, according to M[r] Battini, President of [the] member association.

More important, al[l the] funds were invested la[st year], compared with about [60 per] cent in 1986.

In size, the French [venture] capital industry is the [third] biggest in Europe an[d the] world-wide.

"We are now where [the UK] was four years ago," [com]mented Mr Battini. S[ince the] industrial structure is [the] same in both countr[ies, this] still leaves France wi[th some] catching up to do.

The two star turns [at the] moment are the le[veraged] buy-outs (LBOs), or RE[S (the] French acronym, and [its sur]rounds. France has [had a] long way behind the [UK and] Britain in LBOs, but [helped] by a mixture of tax [breaks and] changing attitudes it h[as made] spectacular progress re[cently].

According to AFIC's [latest] annual report, LBOs a[ccounted] for 21.8 per cent of the [venture] capital funds invested [in 19]87, against only 4.1 per cent the year before. The figure could increase further this year, Mr Battini said. Although tax credits were reduced from 100 per cent to 42 per cent for LBOs last year, approval for the Ministry of Finance no longer has to be obtained.

Earlier this year, the electrical retail group Darty became the object of France's largest RES to date. At FFr7bn it was insignificant compared with the multi-billion dollar deals now taking place in the US, but it was enough to arouse concern in France.

"The buy-out was financed by FFr6.4 bn of debt," one critic said. "It was pure folly. People are prepared to purchase companies at any price these days. It is more a question of speculation to capture as much market share as possible in an effort to prepare for the single European market in 1992."

Gilles Cahen-Salvador, chairman of LBO France, which handled the Darty buy-out, disagrees.

"It doesn't matter that the price was 23 times the previous year's net profit," he said. "It is the profit potential after investment and working capital needs have been financed that counts."

Antoine Chappuis, Chairman of Citicorp Venture Capital, steers a middle course. "We are enthusiastic about prospects for LBOs, but at the same time we must keep cool," he said. "Buy-outs are not necessarily the panacea some people think. This is because French companies are already more highly leveraged than American or British companies."

A more modest change over the past year has been a slight increase in start-up and early-stage financing, or what some operators would call true venture capital. Funding of this type rose form FFr162.1m to FFr208.7m last year or 15 per cent of the total.

A shift has also occurred in the sectors targeted for investment. Consumer goods and services outstripped all others by a wide margin both in the number of financings and rate of increase last year.

This category was followed by other services, such as engineering, finance and real estate, and health and genetics. Electronics was the only sector to have declined last year.

"Business is switching to sectors linked to industry, such as computer services, distribution of hardware and software, and also consulting," Mr Battini explained. Real estate is an area venture capitalists used not to want to touch. But a new generation of entrepreneur is emerging in France and companies are better managed, he added.

In addition, the funds provided by independent venture capital companies increased from 31 per cent of the total in 1986 to 47.9 per cent in 1987.

But banks and other financial houses remained the largest sources of funds for independent venture capitalists, more than doubling their placements in this sector from FFr313m to FFr647.6m last year.

The stock market crash in October 1987 has had a predictable impact on listings. About 40 were floated on the second or over-the-counter markets in 1987; 20 is considered the likely maximum this year.

The alternative of selling out to industry has come to the forefront, due to changing attitudes as much as to market prospects.

"Even young entrepreneurs are prepared to sell out in France and start again," said Jacques Mecheri, partner in Euroventures. "In the past, it would never have occurred to a manager to get rid of a profitable company."

Tax and other regulations do not appear to be a preoccupation at the moment, although reform will be needed before capital movements in Europe are freed in 1990, according to Mr Battini.

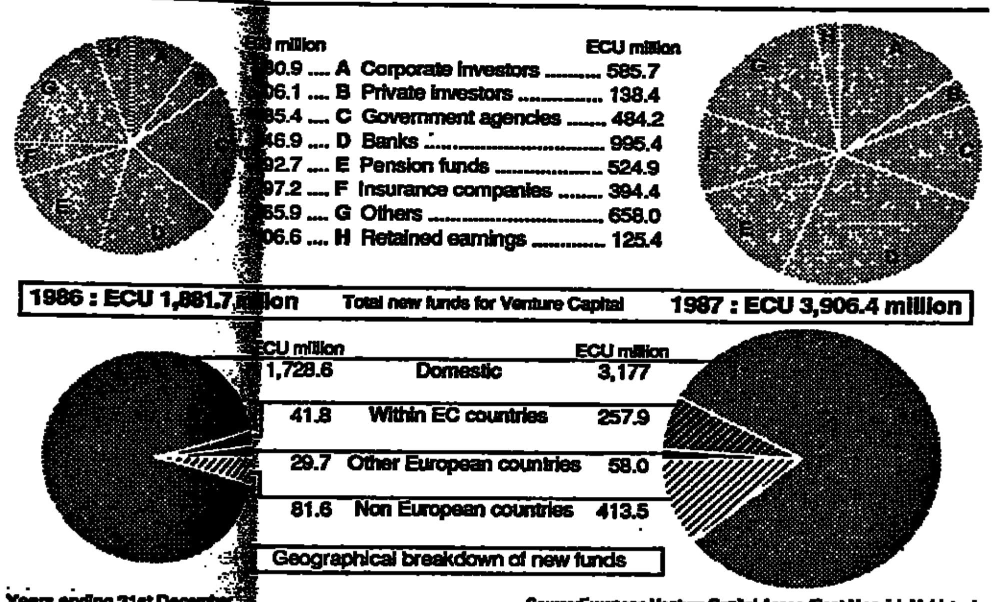
"Taxation here is a handicap and, if nothing is done, funds will be moved out of France to Luxembourg and Britain, where the systems are more favourable," he said.

Michel Tancrede, manager at Charterhouse Associates, has another complaint. "My regret is that legislation on the special status for venture capital companies is too complicated to be used by a reasonable person," he commented. "It seems (the authorities) tried hard to reinvent the wheel," he added.

The line-up of funds in France is not expected to evolve much. Mr Battini thinks restructuring will probably continue, along the lines of LBO joint venture Cyclade, put together by the Institut de Developpement Industriel, itself the object of an LBO last year, and the bank Credit Lyonnais.

There seems little doubt the buy-out fashion will continue, even though the experts are now so accustomed to being overtaken by events that they are reluctant to give more than a tentative forecast on how big it will become and how long it will last.

New funds rai[sed] in Europe



Years ending 31st December

Source: European Venture Capital Assoc./Peat Marwick McLintock

UK's leading venture funds

Britain dominates the European venture capital scene with a £4.7bn pool of funds. After two years of rapid growth, the amount of money available this year is expected to hold up. Independent funds, which have raised only £370m in the first nine months of 1988, are forecast to end the year just short of the record £708m raised in 1987. Investments in the six months to June totalled £550m and, if the trend continues, should equal the £1.03bn invested in 1987.

Peat Marwick McLintock – Venture Capital Database

FUND MANAGER	Range of individual investments considered: Minimum (£)	Maximum (£)	Start-ups	Development	Replacement	Man buy-out	Rescue	Telephone	Sector Preferences
3I PLC	0	Open	Y	Y	Y	Y	Y	01 928 7822	O
Aberdeen Fund Managers	50,000	500,000	P	Y	Y	Y	P	0224 631999	O
Abingworth PLC	250,000	2,000,000	Y	Y	Y	Y	Y	01 839 6745	O,C,B,A,D
Advent	300,000	3,000,000	Y	Y	P	Y	P	01 630 9811	O,(N)
AIIB Venture Capital	250,000	4,000,000	P	Y	Y	Y	P	01 920 9155	O
Alan Patricof Associates	100,000	5,000,000	Y	Y	Y	Y	Y	01 493 3633	O
Allied Provincial Fund Management	50,000	500,000	Y	Y	Y	Y	P	041 204 1886	O
Alta Berkeley Associates	100,000	2,500,000	Y	Y	Y	Y	Y	01 629 1550	B,A,C,E
Arab International Trust Co.	250,000	2,000,000	Y	Y	Y	Y	Y	01 434 4141	O
Audley Fund Management	50,000	Open	Y	Y	Y	Y	P	01 486 2811	A
Avon Enterprise Fund PLC	100,000	250,000	P	Y	N	Y	N	0727 213206	O,(N)
B & C Ventures	500,000	15,000,000	P	Y	Y	Y	P	01 726 4070	O
Baillie Gifford & Co.	100,000	1,000,000	Y	Y	N	Y	N	031 225 2581	B,C,J,L
Bank of Boston	250,000	2,000,000	N	Y	Y	Y	N	01 932 9261	O
Bankers Trust	250,000	25,000,000	N	P	Y	Y	N	01 726 4141	O,J
Barclays Development Capital	200,000	Open	N	Y	Y	Y	P	01 407 2389	J,H
Baring Brothers Hambrecht & Quist	0	1,500,000	Y	Y	P	P	P	01 408 0555	O,A,B,C,D
Baring Capital Investors	500,000	Open	N	Y	Y	Y	N	01 408 1282	O
Barnes Thomson Management	100,000	500,000	P	Y	Y	Y	N	01 487 3870	B,C
Baronsmead	200,000	1,000,000	Y	Y	Y	Y	N	01 242 4900	O,A,B,C,H
Biotechnology Investments	200,000	3,000,000	Y	Y	Y	N	N	01 280 5000	D,E
Birmingham Technology Venture Capital	10,000	250,000	Y	Y	P	Y	P	021 359 0981	O,(G),(M),(N)
British Linen Bank	70,000	500,000	Y	Y	Y	Y	Y	031 243 8463	O
British Technology Group	50,000	1,000,000	Y	Y	N	P	N	01 403 6666	O,(H),(M),(N)
Brooke Allman International	50,000	5,000,000	Y	Y	Y	Y	P	01 283 5707	J,F
Brown Shipley Development Capital	750,000	3,000,000	N	Y	Y	Y	N	01 606 9833	O
Cambium Venture Capital	50,000	100,000	Y	Y	Y	Y	P	0344 885444	O
Cambridge Capital Management	200,000	700,000	N	Y	P	Y	P	0223 312856	O
Candover Investments PLC	2,000,000	Open	N	Y	P	Y	P	01 583 5090	O,(B),(C),(G)
Capital for Companies	100,000	250,000	P	Y	Y	Y	N	0532 438043	O
Capital Partners International	5,000	350,000	Y	Y	Y	Y	P	01 351 4899	O
Capital Ventures	30,000	20,000,000	Y	Y	P	Y	N	0242 584380	O
Capital West	500,000	Open	N	Y	P	Y	N	0272 213206	O
Castleforth Fund Managers	100,000	300,000	Y	Y	Y	Y	Y	01 240 6887	A,B,C,H
Causeway Capital	400,000	2,500,000	Y	Y	Y	Y	Y	01 631 3073	O
Centreway Development Capital	100,000	1,000,000	Y	Y	N	Y	P	021 643 3941	O
Charterhouse Development Capital	100,000	25,000,000	Y	Y	Y	Y	N	01 248 4000	O
Charterhouse Venture Funds	300,000	2,000,000	Y	Y	Y	Y	N	01 409 3232	A,E,C
Chase Investment Bank	500,000	Open	N	Y	Y	Y	N	01 726 5599	O
CIN Venture Managers	250,000	40,000,000	Y	Y	Y	Y	P	01 245 6911	O
Citicorp Venture Capital	500,000	Open	N	Y	Y	Y	Y	01 234 2767	O
Close Investment Management	500,000	5,000,000	N	Y	Y	Y	Y	01 283 2241	O
Clydesdale Bank Equity	100,000	Open	P	Y	Y	Y	P	041 248 7070	O,(N),(K)
County Natwest Ventures	250,000	Open	P	Y	Y	Y	Y	01 382 1000	O,J,H
Cygnus Venture Partners	250,000	2,000,000	Y	Y	Y	Y	Y	0895 72601	O
Development Capital Corporation	250,000	5,000,000	P	Y	Y	Y	P	01 491 0767	O
Development Capital Group	250,000	Open	Y	Y	Y	Y	Y	01 935 2731	O,J,D,H,B
ECI Ventures	500,000	5,000,000	Y	Y	Y	Y	Y	01 606 1000	O,(F),(N)
Electra Innvotec	200,000	3,000,000	Y	Y	P	N	N	01 831 9901	A,C,B,I,L,J,K
Electra Management Services	1,000,000	10,000,000	P	Y	Y	Y	Y	01 831 6464	O,M,P
Ensign Trust PLC	1,000,000	10,000,000	N	Y	P	Y	P	01 588 6000	O
Fleming Investment Trust Management	500,000	Open	P	Y	P	Y	Y	01 638 5858	O,(B),(D),(K),(N)
Fleming Ventures	250,000	1,000,000	N	Y	Y	Y	N	01 480 6211	A,B,C
Foreign & Colonial Ventures	500,000	3,000,000	N	Y	Y	Y	Y	01 623 4680	O
Gartmore Investment	250,000	2,000,000	Y	Y	Y	Y	Y	01 623 1212	O
Globe Investment Trust PLC	1,000,000	Open	P	Y	Y	Y	Y	01 836 7766	O
GPI	500,000	Open	N	Y	Y	Y	Y	01 222 8151	E,F,J,K
Granville & Co	200,000	2,000,000	Y	Y	Y	Y	Y	01 621 1212	O
Greater London Enterprise	40,000	500,000	Y	Y	Y	Y	P	01 403 0300	O
Gresham Trust PLC	50,000	1,000,000	Y	Y	Y	Y	P	01 606 6474	O
Grosvenor Venture Managers	200,000	2,000,000	N	Y	Y	Y	P	0753 32623	O,B,C
Guidehouse	0	1,000,000	Y	Y	Y	Y	Y	01 606 6321	O
Guinness Mahon Development Capital	50,000	5,000,000	Y	Y	N	N	P	01 623 6222	O,E,(N),(P)
Hambro European Ventures	150,000	2,000,000	P	Y	P	Y	Y	01 480 5000	O,(B),(C),(D)
Hambros Advanced Technology Trust	50,000	500,000	Y	Y	P	Y	P	01 242 9900	O,A,C,E
Highlands and Islands Development Board	0	400,000	Y	Y	N	Y	Y	0463 234171	O,(M),(N)
Hill Samuel Development Capital	250,000	2,000,000	N	Y	Y	Y	Y	01 628 8011	O
Hodgson Martin	100,000	1,000,000	P	Y	P	Y	P	031 226 7644	O
Industrial Development Board for Northern I	0	Open	Y	P	N	P	Y	0232 233233	O,H
Industrial Technology Securities	150,000	250,000	Y	Y	P	Y	Y	0753 885524	J
Ivory and Sime Development Capital	100,000	10,000,000	N	Y	Y	Y	Y	031 225 1357	O,(N),(G)
James Finlay Bank	50,000	500,000	P	Y	P	Y	N	041 204 1321	O,F
JMI Advisory Services	0	150,000	Y	N	N	N	N	01 930 7107	O,A,B,C,D
Johnson Fry PLC	200,000	10,000,000	Y	Y	N	Y	N	01 439 0924	N,E,H
Johnston Development Capital	100,000	350,000	P	Y	Y	Y	N	07372 42466	O
Kleinwort Benson Development Capital	250,000	Open	P	Y	Y	Y	P	01 623 8000	O
Lancashire Enterprises (Investments)	50,000	400,000	Y	Y	Y	Y	Y	0772 735821	O
Larpent Newton & Co.	50,000	500,000	Y	Y	Y	Y	Y	01 251 9111	O
Ledu-Small Business Agency N. Ireland	3,000	450,000	Y	Y	N	Y	Y	0232 491031	B,C,H,J
Legal & General Ventures	250,000	Open	N	Y	Y	Y	N	01 489 1888	O,(D),(E),(F),(K)
Lloyds Development Capital	200,000	Open	N	Y	Y	Y	N	01 248 4275	O
Manchester Exchange and Investment Bank	50,000	Open	Y	Y	Y	Y	Y	01 251 9261	O
March Investment Fund	250,000	1,500,000	P	Y	Y	Y	P	061 834 9720	O
Maystock Associates	25,000	2,500,000	Y	Y	Y	Y	Y	0335 44844	O
Mercia Fund Managers	50,000	500,000	Y	Y	N	Y	Y	021 233 3404	O
Mercury Asset Management	500,000	Open	P	Y	Y	Y	P	01 280 2800	O
Merseyside Enterprise Board	10,000	300,000	Y	Y	Y	Y	Y	051 236 0221	J
Metrogroup Capital PLC	50,000	400,000	N	Y	Y	Y	Y	01 437 0483	A,H
Midland Montagu Ventures	500,000	Open	P	Y	Y	Y	P	01 260 9911	O
MIM Development Capital	250,000	10,000,000	P	Y	P	Y	N	01 626 3434	O
Minster Trust	100,000	500,000	P	Y	Y	Y	N	01 623 1050	O
Morris, Stewart-Brown & Co	500,000	Open	Y	Y	Y	Y	Y	01 248 2894	O
MTI Managers	100,000	1,000,000	Y	Y	N	Y	Y	0923 50244	O,(F),(H),(I),(M),(N)
Murray Johnstone	100,000	10,000,000	Y	Y	Y	Y	N	041 226 3131	O
Mynshul Bank	50,000	500,000	P	Y	Y	Y	Y	061 236 1334	O,(D),(G),(K)
National Westminster Growth Options	25,000	300,000	Y	Y	P	Y	N	01 239 8561	O
Newmarket Venture Capital PLC	200,000	1,000,000	Y	Y	N	P	Y	01 638 2521	C,D,B,E
Noble & Co.	50,000	Open	Y	Y	Y	Y	P	031 225 9677	O
Noble Grossart Investments	100,000	1,500,000	Y	Y	Y	Y	Y	031 226 7011	O
North West Regional Fund	25,000	350,000	Y	Y	Y	Y	N	061 793 9028	O,(D),(G),(N)
Northern Investors Co	25,000	Open	Y	Y	Y	Y	Y	091 232 7068	O
Northern Ireland Venture Capital	20,000	200,000	Y	Y	Y	Y	Y	0232 230781	O,J,C,N
Norwich Union Venture Capital	100,000	1,000,000	P	Y	P	Y	N	0603 683751	O,(N),(P)
Oakland Capital Management PLC	400,000	1,000,000	P	Y	N	Y	N	0488 84656	H,M,J,(N),(P)
Octagon Investment Management	75,000	500,000	Y	Y	Y	Y	P	0223 863033	A,B,C,L
Oxford Seedcorn Capital	10,000	100,000	Y	Y	N	N	N	0865 53535	O,(H),(I),(M),(N),(P)
Phildrew Ventures	500,000	100,000,000	P	Y	Y	Y	P	01 628 6366	O,(F),(N)
PIC Capital Group	3,000,000	100,000,000	N	N	Y	Y	N	01 283 8122	O
Pine Street Investments	500,000	Open	Y	Y	Y	Y	Y	01 225 3911	P
Piper Investment Management	100,000	1,000,000	Y	Y	P	Y	Y	01 221 5488	M
Prelude Technology Investments	20,000	600,000	Y	Y	N	N	P	0223 862232	O
Prudential Venture Managers	250,000	15,000,000	P	Y	Y	Y	P	01 831 7747	O
Quayle Munro	100,000	1,500,000	N	Y	Y	Y	N	031 226 4421	F,H
Quester Capital Management	100,000	750,000	Y	Y	Y	Y	Y	01 222 5472	O
Rainford Venture Capital	50,000	250,000	Y	Y	Y	Y	Y	0744 37227	O,C,A
Rothschild Ventures	100,000	2,500,000	Y	Y	Y	Y	N	01 280 5000	O
Rural Development Commission	500	15,000	Y	Y	N	Y	N	0722 336255	O
Schroder Ventures	500,000	10,000,000	Y	Y	Y	Y	P	01 379 5010	O,B,C
Scimitar Development Capital	300,000	3,000,000	N	Y	Y	Y	N	01 487 5914	O,(N),(F)
Scottish Development Agency	5,000	1,000,000	Y	Y	N	Y	Y	041 248 2700	F,D,J,C
Security Pacific Hoare Govett Equity Venture	500,000	Open	N	Y	Y	Y	P	01 374 1796	O
Seed Capital	10,000	30,000	Y	Y	N	N	N	0491 579999	O,(N),(D)
Smithdown Investments	25,000	75,000	P	P	N	Y	N	09278 5199	O,A,H,M
South Glamorgan Investments	25,000	50,000	Y	Y	N	Y	N	0222 396131	E,J,M,N
South Yorkshire Developments	75,000	1,000,000	Y	Y	Y	Y	N	0226 299311	O
St. Helens Bee Syndicates	20,000	60,000	Y	Y	P	Y	P	0744 696775	O
Stewart, Ivory & Co.	500,000	2,000,000	P	Y	Y	Y	P	031 226 3271	O,(N)
Sumit Equity Ventures	150,000	1,500,000	P	Y	Y	Y	Y	021 200 2244	O,B,C
Sun Life Investment Management Services	250,000	1,500,000	P	Y	Y	Y	P	01 606 7788	O
The St. James's Venture Capital Fund	100,000	750,000	Y	Y	P	Y	P	01 409 0526	B,C
Thompson Clive & Partners	0	2,000,000	Y	Y	Y	Y	Y	01 491 4809	O,(F),(G),(K),(M),(N)
Transatlantic Capital	50,000	500,000	Y	Y	Y	Y	N	01 280 3190	O
TSB	250,000	Open	N	Y	Y	Y	P	01 600 6000	O
UBK Information Technology Partnership	50,000	500,000	Y	Y	Y	Y	N	01 626 3422	O
Ulster Development Capital	50,000	300,000	Y	Y	P	P	Y	0232 246765	O
Ulster Venture Capital	10,000	250,000	Y	Y	Y	Y	Y	0232 328490	O
Venture Founders	100,000	500,000	Y	P	N	P	N	0895 824015	O
Venture Link Investors	100,000	1,500,000	Y	P	P	P	P	01 629 2299	A,B,D,E,(N)
Welsh Development Agency	10,000	1,000,000	Y	Y	P	Y	P	0222 222666	A,B,C,D,E
Welsh Development Capital (Management)	100,000	500,000	Y	Y	Y	Y	P	0222 378531	O,(G)
West Midlands Enterprise Board	100,000	750,000	Y	Y	P	Y	P	021 236 8855	O,(N),(P)
Yorkshire Enterprise	25,000	1,000,000	Y	Y	Y	Y	P	0532 420505	O

Key: Y = Yes P = Possible N = No Sector preferences A = Communications B = Computer related C = Other electronic related D = Biotechnology E = Medical, health F = Energy, natural resources G = Agriculture H = Consumer-related products I = Chemical industry J = Industrial products K = Space and aviation industry L = Industrial automation M = Wholesale, trade, distribution N = Property O = Anything P = Financial Services. Any letter in brackets indicates a preference not to invest in that sector.

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